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# SAN FRANCISCO PORT COMMISSION

Doreen Woo Ho, President  
Kimberly Brandon, Vice President  
Francis X. Crowley, Commissioner  
Leslie Katz, Commissioner  
Ann Lazarus, Commissioner

Monique Moyer, Executive Director  
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary  
Phone: 415-274-0406; Fax 415-274-0412

## AGENDA

FEBRUARY 14, 2012  
2:00 P.M. CLOSED SESSION  
3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR  
FERRY BUILDING, SAN FRANCISCO CA 94111

### PLEASE NOTE THE DATE & TIME OF THE MEETING

*The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at [www.sfport.com](http://www.sfport.com). The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.*

1. CALL TO ORDER / ROLL CALL
2. APPROVAL OF MINUTES – January 20, 2012
3. PUBLIC COMMENT ON EXECUTIVE SESSION
4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

An Executive Session has been calendared to discuss the following matters:

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. **\*This session is closed to any non-City/Port representative.**

02-13-12A08:23 RCVD

GOVERNMENT  
DOCUMENTS DEPT

FEB 13 2012

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PUBLIC LIBRARY



# SAN FRANCISCO PORT COMMISSION

Given by the Board  
at the City and County  
of San Francisco  
on the 12th day of  
January, 1912.

Attest my hand and the Seal of the City and County of San Francisco, this 12th day of January, 1912.

## AGENDA

REGULAR MEETING  
OF THE BOARD  
OF THE PORT COMMISSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR  
CITY AND COUNTY BUILDING, SAN FRANCISCO, CALIF.

PLEASE NOTE THE DATE & TIME OF THE MEETING

The Port Commission is a body corporate and politic, created by the City and County of San Francisco, California, and is organized for the purpose of managing the port of San Francisco, California, and for the purpose of promoting the commerce of the port of San Francisco, California.

1. TO ORDER THE CALL
2. APPROVAL OF MINUTES
3. REPORT OF THE BOARD OF THE PORT COMMISSION
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- a. Property: AB 4052; 4111, Lots 3 and 4; 4110, Lot 1; 4046, Lots 1 and 2; also known as Pier 70 Master Plan Area, located near the intersection of 20<sup>th</sup> Street and Illinois  
Person Negotiating: Byron Rhett, Deputy Director, Planning and Development  
\*Negotiating Parties: Equity Community Builders, LLC: John Clawson, Principal; Build Inc.: Lou Vasquez, Partner; and UP, a to-be-formed non-profit: Lou Vasquez, Founding Partner  
\*Negotiating Parties: Orton Development, Inc.: J.R. "Eddie" Orton III, President

Under Negotiations: \_\_\_\_\_ Price \_\_\_\_\_ Terms of Payment ☒ Both  
The Port recently received responses to a request for proposals for the lease, rehabilitation, and development of a number of Very Significant historic buildings within the 69-acre Pier 70 site, located near the intersection of 20<sup>th</sup> Street and Illinois. In this executive session, the Port intends to seek direction from the Port Commission on the appropriate price and terms of payment for the properties. The Port intends to discuss factors affecting the price and terms of payment such as adjacent land uses, extraordinary conditions of the site and buildings, and the Port's goals and objectives under the Pier 70 Master Plan, but only with respect to the impact of those factors on price and terms of payment. The executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms in its solicitation that are most likely to maximize the benefit of the Port, the City and the People of the State of California and/or to more effectively negotiate with the winning proposer(s) on price and payment terms.

(2) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED LITIGATION MATTER (Discussion & Action)

- a. Discuss anticipated litigation matter pursuant to Section 54956.9(b) of the California Government Code and Section 67.10(d) of the City and County of San Francisco Administrative Code.

☒ As Defendant \_\_\_\_\_ As Plaintiff

**5. RECONVENE IN OPEN SESSION**

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67-12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.





## 6. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting

Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

- B. Announcement of Time Allotment for Public Comments

Please be advised a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

## 7. EXECUTIVE

- A. Executive Director's Report

- Jasper Rubin, CWAG member, recently released his new book *Negotiated Landscape: The Transformation of San Francisco's Waterfront since 1950*
- Aquarium of the Bay presents "An Evening of Sailing Films" – 6 p.m., February 24, 2012 at Bay Theater, Pier 39 Beach Street at Embarcadero
- Pier 45 Drainage Improvement Project a Success

## 8. CONSENT

- A. Request authorization to award Construction Contract 2757, Pier 50 Valley Substructure Repair Project, to West Bay Builders, Inc., in the amount of \$1,333,640, and authorization for a contract contingency fund of 10% of the contract amount (or \$133,364), for a total authorization not to exceed \$1,467,004. (Resolution No. 12-06)
- B. Request authorization to advertise for Competitive Bids for Construction Contract No. 2756, Pier 50D Emergency Power Modifications Project. (Resolution No. 12-07)
- C. Request authorization to award Construction Contract 2726, Brannan Street Wharf Project, to Dutra Construction Co., Inc., in the Amount of \$13,537,800, and authorization for a contract contingency fund of 10% of the contract amount (or \$1,353,780) for unanticipated contingencies for a total authorization of up to \$14,891,580. (Resolution No. 12-08)
- D. Request authorization to award to: (1) BAE Urban Economics, Inc.; (2) Economic & Planning Systems Inc.; (3) Keyser Marston Associates Inc.; and (4) Seifel Consulting Inc., a contract for as-needed real estate economics and related



# A. Environmental Impact Assessment (EIA) Report

The EIA report is a document that provides information on the potential impacts of a proposed project on the environment. It is a key tool for decision-makers to understand the likely effects of a project and to make informed decisions about whether to approve the project and what conditions should be attached to any approval.

The EIA report should be prepared by a qualified person or organization and should be submitted to the relevant authority for review and approval. The authority may request further information or a revision to the report before making a decision.

## EXECUTIVE SUMMARY

### A. Executive Summary

- The project is a proposed development of a new industrial park in the area of the proposed project.
- The project is expected to create 100 new jobs and to generate an estimated annual turnover of £1 million.
- The project is expected to have a number of impacts on the environment, including increased traffic, noise, and air pollution.
- The project is expected to have a number of impacts on the local community, including increased traffic, noise, and air pollution.

## B. COMMENT

- Request for information to be provided by the project developer to the relevant authority. The request should include details of the project, the proposed location, and the proposed impacts on the environment and the local community.
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consulting services, each in an amount not to exceed \$500,000. (Resolution No. 12-09)

- E. Request approval of a resolution supporting the California High-Speed Rail Project and pledging to work with the California High-Speed Rail Authority and other regional governing entities to promptly implement this project, and supporting Caltrain's electrification as a means to make the regional rail system compatible with high speed rail while designing it to be compatible with the Port's current and future freight rail needs. (Resolution No. 12-10)
- F. Request approval of the Policy for Zero Waste Events and Activities restricting the sale, use, and distribution of certain plastic bags, plastic water bottles, plastic food ware and the release of balloons. (Resolution No. 12-11)
- G. Request approval of amended Lease No. L-15004 with Bauer's Intelligent Transportation, Inc., for a ten year lease of Office, Shed and Yard space at Pier 50, Sheds A & C (Resolution No. 12-12) and endorsement of Executive Director's letter to Bauer's Intelligent Transportation, Inc., dated January 30, 2012, which among other things, commits not to facilitate the Port's exercise of its rights under Section 4.2(a) of the Lease No. L-15004 before July 30, 2015. (Resolution No. 12-13)

## **9. FINANCE & ADMINISTRATION**

- A. Informational presentation on the Port's Biennial Operating Budget for Fiscal Years 2012/13 and 2013/14.
- B. Informational presentation on the Port's Proposed \$22.4 million Capital Project Budget Funding for Fiscal Years 2012/13 and 2013/14.
- C. Request approval to forward to the Board of Supervisors a supplemental appropriation of Fund Balance and 2010 Revenue Debt for Phase I of the James R. Herman International Cruise Terminal Project. (Resolution No. 12-14)

## **10. PLANNING & DEVELOPMENT**

- A. Informational memorandum regarding the Development and Disposition Agreement and related actions approved by the Port Commission on December 16, 2011 to implement the 34<sup>th</sup> America's Cup Project, involving use of Piers 26, 28, 30-32, 19-23, 27-29, and 29½ and adjacent water areas; water basins between Piers 32 and 38, Piers 14 and 22½, and Pier 9 apron and water area, all located along The Embarcadero waterfront; Seawall Lot 330; and a portion of Pier 80, located along the north side of Islais Creek, east of Illinois Street.





## **11. NEW BUSINESS**

## **12. PUBLIC COMMENT**

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

## **13. ADJOURNMENT**





## **FORWARD CALENDAR (Targeted Commission Meeting, Subject to Change)**

- Informational presentation on the Port's proposed 10-Year Capital Plan for years 2013-2022 (February 28, 2012)
- Informational presentation on proposed Port Policy designating Annual Operating Funds for 10-year Capital Plan Expenses (February 28, 2012)
- Informational presentation regarding a prospective Sole Source Retail Lease between the Port of San Francisco and Teatro Zinzanni for premises at SWL 324, located at The Embarcadero and Broadway (February 28, 2012)
- Informational presentation on proposed San Francisco Bay Area Conservation and Development Commission Special Area Plan amendment for Pier 27 Cruise Terminal Project (February 28, 2012)
- Request approval of the Port's Biennial Operating Budget for Fiscal Years 2012-13 and 2013-14 (February 28, 2012)
- Request approval of the Port's Proposed Biennial Capital Budget Funding for Fiscal Years 2012-13 and 2013-14 (February 28, 2012)
- Request approval of proposed amendments to the Port Harbor Traffic Code allowing certain parking restrictions and installation of parking meters on improved Port streets east of Third Street between Mission Creek and Mariposa Streets (February 28, 2012)
- Request approval to award Pier 70 20<sup>th</sup> Street Historic Buildings development opportunity (February 28, 2012)
- Request authorization to advertise a Request for Qualifications (RFQ) soliciting As-Needed Engineering and Related Professional Services for three contracts, at \$1.5 million each, totaling \$4.5 million (February 28, 2012)
- Request approval of direct negotiation with Golden Bear Restaurant Company III, a California Limited Liability Company for a Sole Source Lease of Kelly's Mission Rock Restaurant located at 817 Terry Francois Boulevard under the terms and conditions of the Port's Retail Leasing Policy (February 28, 2012)
- Request approval of business terms for a proposed Sixth Amendment to Lease L-11320 with BAE Systems San Francisco Ship Repair, Inc. for a portion of Pier 70 and authorization of Executive Director, or her designee, to negotiate and enter into the proposed Sixth Amendment (February 28, 2012)
- Informational presentation on findings and recommendations of the Feasibility Study and Remedial Action Plan to address contamination at Pier 70 (March 13, 2012)
- Request authorization to award Construction Contract No. 2723, Pier 70 Building 113 Stabilization (March 13, 2012)
- Request adoption of California Environmental Quality Act Findings and the Mitigation Monitoring and Reporting Program in connection with the development of Seawall Lot ("SWL") 351 by San Francisco Waterfront Partners II, LLC, a Delaware limited liability company (located on the Embarcadero at Washington Street) (March 13, 2012)
- Request approval of the (1) Disposition and Development Agreement, (2) Lease for a term of 66 years, (3) Purchase and Sale Agreement, (4) Trust Exchange Agreement, (5) Amended Exclusive Negotiation Agreement, (6) Maintenance Agreement, all with San Francisco Waterfront Partners II, LLC, a Delaware limited liability company, and (7) Schematic Drawings; all in connection with the development of SWL 351 (located on the Embarcadero at Washington Street) (March 13, 2012)





- Request authorization to award Construction Contract No. 2743, Pier 33 Bulkhead Building Improvements (March 13, 2012)
- Request approval of renewal of lease with Aadvark Storage Unlimited, Inc., dba American Storage Unlimited, Inc. for a term of five years with one five-year option for a 6.29 acre parcel on a portion of Seawall Lot 344, subject to Board of Supervisors' approval (March 13, 2012)
- Request authorization to award Construction Contract No. 2756, Pier 50D Emergency Power Modifications Project (March 27, 2012)
- Informational presentation on SWL 337 Associates, LLC's submittal of the Revised Proposal for the development of SWL 337 and Pier 48 pursuant to the Exclusive Negotiation Agreement and consistent with the Request for Proposals and the Financial and Negotiating Principles previously identified (Date to be determined)
- Informational presentation on the status of yellow tagged Port facilities (Date to be determined)
- Request approval of Lease No. L-14957 with Paul's Stores, Inc. DBA Cost/Less Inventory Services, a California Corporation for a term of twenty-four months for premises located at Pier 70, Building 2, and containing approximately 69,358 square feet (Date to be determined)
- Request approval to enter into an agreement with the Bay Area Air Quality Management District to lease locations to operate bike share stations as part of the Bay Area Regional Bike Share Pilot Program (Date to be determined)
- Request approval to enter into an Exclusive Right to Negotiate Agreement (ENA) with Kinder Morgan Operating LP, owned by Kinder Morgan Energy Partners LP, to negotiate terms for entering into a lease of Port property to design, finance, build and operate a bulk cargo marine terminal at Pier 96 (Date to be determined)





**COMMUNICATIONS TO THE PORT COMMISSION**  
**FROM JANUARY 13, 2012 TO FEBRUARY 9, 2012**

- From Sue Hestor, For Friends of Golden Gateway, regarding 8 Washington/SWL 351 project
- From Port Commission President Doreen Woo Ho, regarding SWL 351/8 Washington project
- From the Potrero Boosters Neighborhood Association, copy of The Potrero Community Voice Newsletter
- From Port staff, regarding evaluation of America's Cup Organizing Committee Fundraising
- From Port staff, regarding illegally moored houseboats at Pier 96





**FEBRUARY/MARCH 2012**  
**CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC**

DATE	TIME	GROUP	LOCATION
February 28	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
March 13	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
March 27	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.

**NOTES:**

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ [www.sfport.com](http://www.sfport.com). The Port Commission meetings can be viewed online at [http://sanfrancisco.granicus.com/ViewPublisher.php?view\\_id=92](http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92). The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or [amy.quesada@sfport.com](mailto:amy.quesada@sfport.com)

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or [rip.malloy@sfport.com](mailto:rip.malloy@sfport.com)

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or [jim.maloney@sfport.com](mailto:jim.maloney@sfport.com)

The Mission Bay Citizens Advisory Committee meets on the 2nd Thursday of the month at 5:00 p.m. at 1700 Owens Street, 2nd Floor. Parking validation is available. Contact Catherine Reilly, San Francisco Redevelopment Agency, at [catherine.reilly@sfgov.org](mailto:catherine.reilly@sfgov.org)

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or [jonathan.stern@sfport.com](mailto:jonathan.stern@sfport.com)

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or [mark.paez@sfport.com](mailto:mark.paez@sfport.com)

The Rincon Point-South Beach Citizens Advisory Committee meets on a quarterly basis (the FOURTH MONDAY OF JANUARY AND THIRD MONDAYS IN APRIL, JULY, and OCTOBER), starting at 5:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Catherine Reilly, Assistant Project Manager, Redevelopment Agency, @ 749-2516 or [Catherine.Reilly/REDEV/SFGOV@SFGOV](mailto:Catherine.Reilly/REDEV/SFGOV@SFGOV)

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or [david.beaupre@sfport.com](mailto:david.beaupre@sfport.com)  
The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or [dan.hodapp@sfport.com](mailto:dan.hodapp@sfport.com)





## **FERRY BUILDING:**

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

## **PIER 1:**

The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.

### **Accessible meeting information policy:**

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.





**Know Your Rights Under the Sunshine Ordinance:**

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at [soft@sfgov.org](mailto:soft@sfgov.org). Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

**NOTICES****Prohibition of Ringing of Sound Producing Devices:**

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

**Lobbyist Registration and Reporting Requirements:**

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: [www.sfgov.org/ethics](http://www.sfgov.org/ethics).







## MEMORANDUM

February 9, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer  
Executive Director

**SUBJECT:** Request Authorization to Award Construction Contract 2757, Pier 50 Valley Substructure Repair Project, to West Bay Builders, Inc., in the Amount of \$1,333,640, and authorization for a contract contingency fund of 10% of the contract amount (or \$133,364), for a total authorization not to exceed \$1,467,004.

**DIRECTOR'S RECOMMENDATION:** Adopt Attached Resolution

---

### Introduction:

The Pier 50 Valley serves as the main access-way to Pier 50 Sheds A, B, C and D and to the Pier 50 East Apron. Various maritime and commercial tenants occupy these sheds and apron(s), including Port Maintenance personnel and equipment. Refer to the project Vicinity Map and Site Plan in Attachment A. This project is included in the Port's ten (10) year Capital Budget Plan and is one of the projects included in the Port's 2010 Revenue Bond Program.

Port staff request that the Port Commission authorize the award of construction Contract 2757, Pier 50 Valley Substructure Repair Project, to West Bay Builders, Inc., the lowest responsive, responsible bidder. The project scope includes necessary structural repairs to the Pier 50 Valley Substructure, and includes topside improvements to the Pier 50 Valley roadway, specifically the construction of a bike lane. The structural repairs are necessary in order to sufficiently maintain the structure's structural integrity. The Project is fully funded by the Port's 2010 Revenue Bond Fund. Proposed construction is scheduled for substantial completion eight (8) months after the Notice to Proceed.

**THIS PRINT COVERS CALENDAR ITEM NO. 8A**





**Background:**

The Port Commission, at its meeting on October 25, 2011, authorized staff to advertise for construction bids for the Project (Port Commission Resolution 11-65). To ensure a contract could be awarded with the available funding, the bid was structured with base bid items and three additive alternate bid items. The Engineer's Estimate for the base bid items was \$1,275,000. To ensure a contract could be awarded with the available funding, the bid was structured with base bid items and three additive alternate bid items as follows:

Base Bid: Repair of valley substructure under two vehicular lanes, one lane 25' wide, and one lane 20' wide. Topside improvements to the 16' wide strip of substructure between the two traffic lanes, for bike and pedestrian uses.

Alternate A1 Repair of valley concrete deck substructure at the northwest valley entrance.

Alternate A2 Repair of valley concrete beam substructure at the northwest valley entrance.

Alternate A3 Repair of valley concrete pile substructure at the northwest valley entrance.

Port staff published the advertisement for bids on Monday, November 21, 2011, and conducted an optional Pre-Bid Meeting on December 5, 2011. After an eight week solicitation period, bids were opened on January 17, 2012. Staff received six bids for this project with the low bid amount 4.6% greater than the Engineer's estimate and the high bid 74.2% greater than the Engineer's estimate. A summary of the bids is attached (See Exhibit "B", Bid Summary).

On January 20, 2012, Valentine Corporation (Valentine), the apparent second low bidder, submitted a bid protest, alleging that West Bay Builders does not "possess the requisite experience, equipment and specialty resources to perform the substructure diving and shotcrete work themselves for this project." As such, Valentine alleged that West Bay Builders violated the subcontractor listing requirements of the bid requirements and the California Subletting and Subcontracting Fair Practices Act.

On January 30, 2012, West Bay Builders submitted a response to the bid protest, confirming that West Bay Builders would self-perform the pile repairs by utilizing portable cofferdams and/or divers, who will be under their employment. The contract allows for manually applying cementitious patching material versus the use of spray-on shotcrete. Therefore, there is no contractual requirement for the exclusive use of shotcrete, and no subcontractor was required to be listed by West Bay Builders.

After reviewing all documents concerning Valentine's bid protest, Port staff arrived at the following conclusions: West Bay Builders satisfies the contract requirements, Valentine's protest is without merit, and West Bay Builders' base bid of \$1,333,640 is the lowest responsive bid. Although West Bay Builder's bid exceeds the engineer's estimate by 4.6% the bid is within the project budget. However, Port staff will not be awarding any of the Alternate Bid Items, due to lack of funding. Not executing the



alternate bid items will not impact the project's goal of providing two wide, vehicular lanes with fully repaired substructure, in the Pier 50 Valley, however, this work will be deferred until future funding is available.

### **Local Business Enterprise**

The Human Rights Commission ("HRC") evaluates bids for compliance with the City's Administrative Code Chapter 14B (known as the Local Business Enterprise and Non-Discrimination in Contracting Ordinance). For this contract, HRC staff established a Local Business Enterprise ("LBE") subcontractor participation goal of 18% for the base bid items. On February 2, 2012, HRC staff determined that West Bay Builders, Inc. met the 18% LBE subcontractor participation goal and met the Chapter 14B requirement and thus is eligible for the award of the contract (see Exhibit "C"). West Bay Builders' LBE subcontractor participation for this contract is 19.8% for the base bid items.

### **San Francisco Local Hiring Policy for Construction**

The contract for the proposed Project includes the requirements to hire locally in accordance with the City's Local Hiring Policy for Construction which became effective on March 25, 2011 (Administrative Code Section 6.22(G)). The mandatory participation level in terms of Project Work Hours within each trade to be performed by Local Residents is 20%, with a goal of no less than 10% of Project Work Hours within each trade to be performed by Disadvantaged Workers. By submitting a bid, West Bay Builders, Inc. has agreed to comply with the ordinance and to ensure that subcontractors of all tiers also comply. Port staff will not issue a Notice to Proceed until West Bay Builders has submitted a Local Hiring Workforce Projection and Local Hiring Plan to the Office of Economic and Workforce Development ("OEWD"). During the contract period, OEWD may monitor for compliance with the ordinance.

### **Regulatory Permits**

All required regulatory permits, certifications and notifications have been secured/executed for this Project, including BCDC permit, United States Army Corp. permit, California Regional Water Quality Control Board Certification and California Dept. of Fish and Game Notification. This project has been determined to be categorically exempt under State CEQA Guidelines.

### **Funding:**

The Project is fully funded by the Port's 2010 Revenue Bond Fund. Project funding is \$1,500,000. The base bid amount, \$1,333,640, plus the 10% project contingency amount, \$133,364, totals \$1,467,004, which is less than project funding as noted in the Table below:

Project Scope	West Bay Builders' (WBB) Base Bid	10% Contingency	WBB Base Bid plus 10% Contingency	Project Funding and Funding Source
Pier 50 Valley Substructure Repair Base Bid	\$1,333,640	\$133,364	\$1,467,004	\$1,500,000 - Port Revenue Bond 2010 CPO 922





**Schedule:**

The following is the anticipated Project schedule:

Award of Contract	February, 2012
Notice to Proceed	April, 2012
Substantial Completion	December, 2012
Estimated Final Completion (30 Days)	January, 2013

**Summary:**

Port staff recommend that the Port Commission authorize the award of construction Contract No. 2757, Pier 50 Valley Substructure Repair Project, to West Bay Builders, Inc., the lowest responsive, responsible bidder, in the amount of \$1,333,640 for the base bid, and further authorize staff to increase the contract amount, if needed for unanticipated contingencies, by an additional \$133,364 (or 10%) through contract modification or change order, for a total authorization of \$1,467,004. West Bay Builders' LBE subcontractor participation for this contract award is 19.8% for the total contract base bid amount, and HRC has determined the bid meets the LBE subcontracting requirements. West Bay Builders has committed to meeting the requirements of the City's Local Hiring Ordinance. Port staff also recommend that the Port Commission authorize the Executive Director to accept the work once it is complete.

Prepared by: Joe Roger, Structural Engineer  
Engineering

For: Ed Byrne, Chief Harbor Engineer  
Engineering

**Exhibits**

- A: Site Plan and Vicinity Map
- B: Bid Summary
- C: HRC Review Memorandum





**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO  
RESOLUTION NO. 12-06**

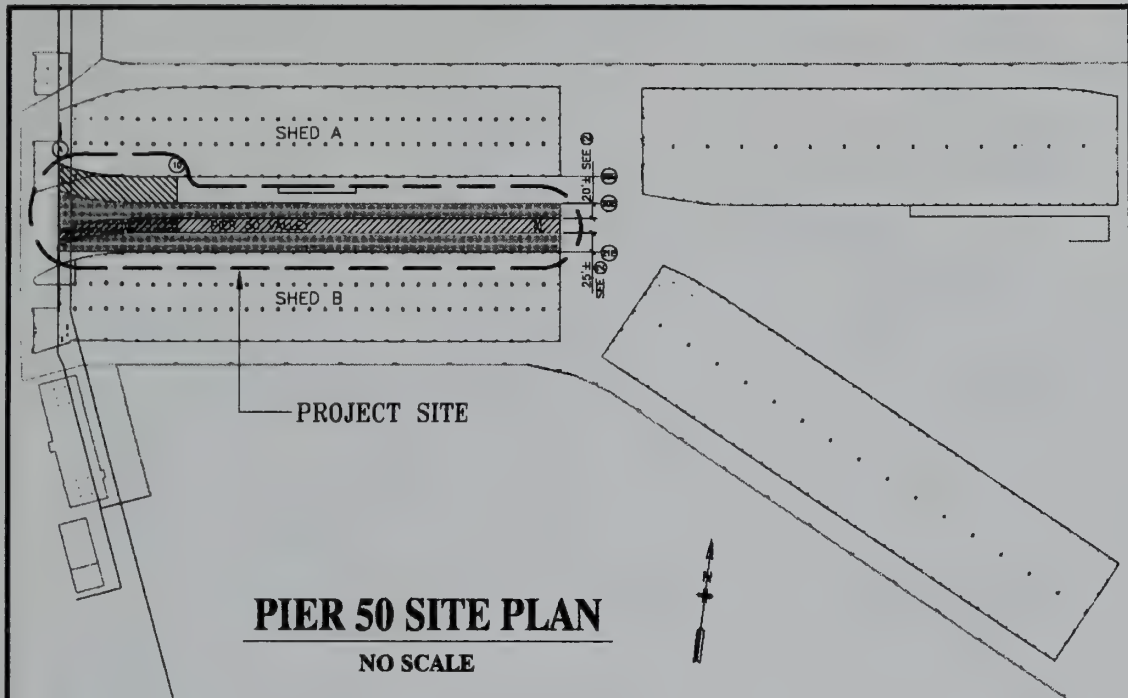
- WHEREAS, Port Engineering determined that the Pier 50 Valley Substructure needs structural repair and this repair project is included in the Port's ten (10) year Capital Budget Plan and is one of the projects included in the Port's 2010 Revenue Bond Program; and
- WHEREAS, The Port Commission previously authorized the advertisement of the construction contract for Pier 50 Valley Substructure Repair Project, Contract No. 2757 (Port Commission Resolution 11-65), at its meeting on October 25, 2011; and
- WHEREAS, Port staff received six bids for the Pier 50 Valley Substructure Repair Project (the "Project") on January 17, 2012; and
- WHEREAS, Port Engineering staff and the Human Rights Commission ("HRC") staff reviewed the bids and have determined that West Bay Builders, Inc. is the lowest responsive, responsible bidder for the Project; and
- WHEREAS, In its bid, West Bay Builders, Inc. commits 19.8% of the contract to Local Business Enterprises (LBE) subcontracting which satisfies the HRC's LBE subcontracting goal of 18% for the Project; and
- WHEREAS, The construction contract for the Project will require compliance with the City's Local Hiring Ordinance; and
- WHEREAS, Project funding is provided by the Port's 2010 Revenue Bond Fund; now therefore be it
- RESOLVED, That the Port Commission hereby authorizes Port staff to award the construction contract, Pier 50 Valley Substructure Repair Project, Contract No. 2757, to West Bay Builders, Inc., the lowest responsive, responsible bidder, for the amount of \$1,333,640 for the base bid; and be it further
- RESOLVED, That the Port Commission authorizes Port staff to increase the contract amount, if needed for unanticipated contingencies, by an additional amount of \$133,364 (10% of \$1,333,640) through contract modification or change order, for a total contract authorization not to exceed \$1,467,004; and be it further
- RESOLVED, That the Port Commission hereby authorizes the Executive Director to accept the work once it is complete.

***I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 14, 2012.***

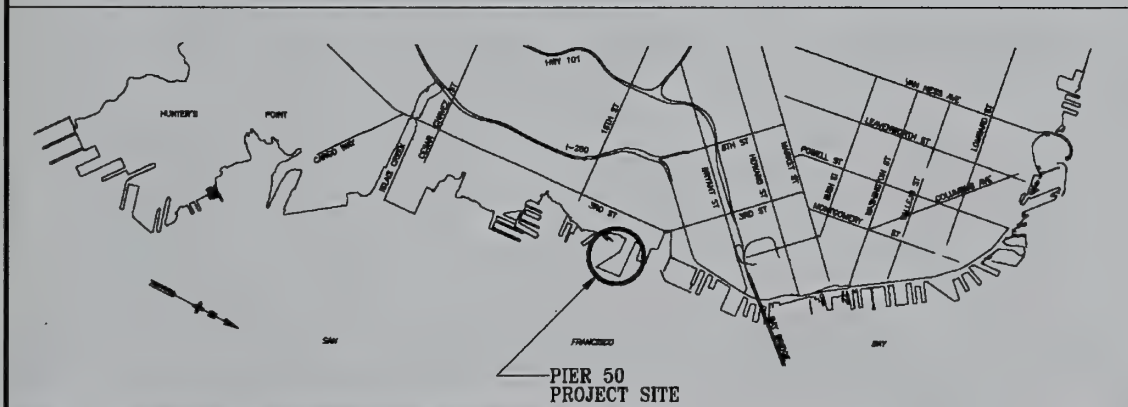
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Secretary




# EXHIBIT A



## PIER 50 VICINITY MAP



 <b>SAN FRANCISCO PORT COMMISSION</b> PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	<b>PIER 50 VALLEY SUBSTRUCTURE REPAIR PROJECT</b>	DESIGNED: JR DATE: 9/28/2011 DRAWN: SC DATE: 9/28/2011	CONTRACT NO. 2757 CHECKED: UP DATE: 9/28/2011
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G:\01 PROJECTS\PIERS\Pier 50\Pier 50 Valley Substructure Repairs 9-28-11\Drawings





Project: PIER 60 VALLEY SUBSTRUCTURE REPAIRS  
Contract No.: 2757

Bill Item	Description	Estimated Quantity	BASE BID			ALTY. REPAIRS			ALTY. REPAIRS			ALTY. REPAIRS		
			Unit/Ls	Price	Total	Unit/Ls	Price	Total	Unit/Ls	Price	Total	Unit/Ls	Price	Total
1	Concrete for Retaining Wall (10' x 4' x 10')	2	61.990.83	\$123,982	38,000.00	\$75,000	30,000.00	\$60,000	40,000.00	\$80,000	20,000.00	\$40,000	270,000.00	\$540,000
2	Gravel for Retaining Wall (10' x 4' x 10')	2,031	99.36	\$201,800	180.00	\$165,560	224.00	\$464,944	200.00	\$406,200	150.00	\$304,650	182.00	\$361,642
3	Gravel for Retaining Wall (10' x 4' x 10')	875	111.25	\$97,344	260.00	\$227,500	293.00	\$256,375	198.00	\$173,250	200.00	\$175,000	211.00	\$184,675
4	Gravel for Retaining Wall (10' x 4' x 10')	204	142.72	\$29,115	240.00	\$48,960	342.00	\$69,768	155.00	\$31,824	200.00	\$40,800	182.00	\$37,128
5	Gravel for Retaining Wall (10' x 4' x 10')	27	31,447.47	\$849,082	9,800.00	\$264,600	14,600.00	\$394,200	18,900.00	\$510,300	18,000.00	\$466,000	24,000.00	\$648,000
6	Gravel for Retaining Wall (10' x 4' x 10')	1	817,981.67	\$817,982	276,000.00	\$276,000	445,000.00	\$445,000	250,531.00	\$250,531	500,000.00	\$500,000	367,000.00	\$367,000
7	Gravel for Retaining Wall (10' x 4' x 10')	25,000	1.00	\$25,000	1	\$25,000	1	\$25,000	1	\$25,000	1	\$25,000	1	\$25,000
8	Gravel for Retaining Wall (10' x 4' x 10')	50,000	1.00	\$50,000	1	\$50,000	1	\$50,000	1	\$50,000	1	\$50,000	1	\$50,000
9	Gravel for Retaining Wall (10' x 4' x 10')	1	\$2,194,304	\$2,194,304		\$1,333,640	\$1,755,287		\$1,587,105		\$1,621,450		\$2,221,395	
10	Gravel for Retaining Wall (10' x 4' x 10')	1,260	120.00	\$151,200	180.00	\$225,800	225.00	\$383,500	115.00	\$148,680	150.00	\$189,000	195.00	\$244,950
11	Gravel for Retaining Wall (10' x 4' x 10')	43	124.48	\$5,353	92.00	\$3,956	500.00	\$21,500	11.00	\$473	200.00	\$8,600	125.00	\$5,375
12	Gravel for Retaining Wall (10' x 4' x 10')			\$156,553		\$230,756		\$305,000		\$145,153		\$197,600		\$252,335
13	Gravel for Retaining Wall (10' x 4' x 10')	601	123.13	\$74,001	260.00	\$156,260	300.00	\$180,300	112.00	\$67,312	200.00	\$120,200	420.00	\$252,420
14	Gravel for Retaining Wall (10' x 4' x 10')	18	12.39	\$223	100.00	\$1,800	500.00	\$9,000	13.00	\$234	200.00	\$3,600	125.00	\$2,250
15	Gravel for Retaining Wall (10' x 4' x 10')	48	333.53	\$16,009	240.00	\$11,520	6,656.18	\$189,300		\$67,546		\$123,800		\$254,670
16	Gravel for Retaining Wall (10' x 4' x 10')			\$16,009		\$11,520		\$16,416		\$5,376		\$300.00		\$15,456
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100	Gravel for Retaining Wall (10' x 4' x 10')													
Total Base Bid				\$2,194,304		\$1,333,640		\$1,755,287		\$1,587,105		\$1,621,450		\$2,221,395
Total Base Bid x A1				\$2,350,856		\$1,564,396		\$2,060,287		\$1,716,259		\$1,819,050		\$2,473,730
Total Base Bid x A1 + A2				\$2,475,081		\$1,724,456		\$2,245,456		\$1,783,804		\$1,942,850		\$2,728,400
Total Base Bid x A1 + A2 + A3				\$2,441,090		\$1,733,976		\$2,265,003		\$1,789,180		\$1,957,250		\$2,743,856





## EXHIBIT C

### City and County of San Francisco



Edwin M. Lee  
Mayor

### Human Rights Commission

Contract Compliance  
Dispute Resolution/Fair Housing  
Small Micro Local Business Enterprise  
Lesbian Gay Bisexual Transgender & HIV Discrimination

Theresa Sparks  
Executive Director

## MEMORANDUM

**Date:** February 2nd, 2012

**To:** Tim Leung, Project Manager, SF Port

**From:** *HL* Finbarr Jewell, Contract Compliance Officer, SFHRC

**Subject:** Award of Contract No. 2757, Pier 50 Valley Substructure Repair

The Human Rights Commission ("HRC") has evaluated the bids on the above referenced project for compliance with HRC 14B pre-award requirements. An LBE subcontracting participation goal of 18% was established for the Contract.

Six firms submitted bids for this contract. The HRC reviewed the lowest bidder, West Bay Builders Inc. Pursuant to Chapter 14B a responsive bidder must meet the established project participation goal of 18%.

Based on the review, West Bay Builders Inc., is deemed the lowest responsive bidder to the HRC's LBE subcontracting goal.

West Bay Builders Inc., is not a certified LBE and is not eligible for the 10% bid discount. The HRC has determined that West Bay Builders is responsive to the Chapter 14B requirements and listed the following LBE commitment:

See Chart:

De Haro Ramirez	LBE/MBE	\$265,000	19.87%
-----------------	---------	-----------	--------

West Bay Builders Inc., met the 18% LBE subcontractor participation goal and met the Chapter 14B pre-award requirement and thus is eligible for the award of the contract.



25 Van Ness Avenue  
Suite 800  
San Francisco  
California 94102-6033



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[www-sf-hrc.org](http://www-sf-hrc.org)







## MEMORANDUM

February 9, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer  
Executive Director

**SUBJECT:** Request Authorization to Advertise for Competitive Bids for Construction Contract No. 2756, Pier 50D Emergency Power Modifications Project

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

---

### Overview

Port staff requests Port Commission authorization to advertise for competitive bids for Contract No. 2756, Pier 50D Emergency Power Modifications Project. The project consists of modifying the existing Pier 50 electrical power distribution system to connect two trailer mounted 300KW generators. These two emergency generators will enable the Port Maintenance facility to function during power outages due to impacts of a major disaster or routine utility service interruptions. Providing the ability to operate machinery in Pier 50D to support post disaster recovery is part of Port's Emergency Operations Plan.

### Background

The existing electrical power distribution system in Pier 50D has two (2) 4000A, 480V switchboards that service docked ships and Port maintenance operations. In the event of utility power disruption, the system will not be able to support essential maintenance operations and is likely to cause physical discomfort, serious interruption of machine operations and damage to equipment.

Port Engineering and San Francisco Department of Public Works staff prepared the final construction documents for this proposed project. The work scope includes intercepting and extending the existing power cables in motor control centers, adding

**THIS PRINT COVERS CALENDAR ITEM NO. 8B**





and modifying adequate electrical protections, and installing automatic transfer switches for two (2) mobile generators. The new emergency power system will have two (2) 300KW generators mounted on trailers that will be pre-purchased in a separate contract.

### **San Francisco Local Hiring Policy for Construction**

The project will not include requirements to hire locally because the project is funded by the United States Department of Homeland Security's Port Security Grant and the federal regulations for the grant funds prohibit geographic preferences.

The San Francisco Office of Economic and Workforce Development has reviewed the scope of work and funding sources of the Project, and determined that the Project requirements should utilize the First Source Hiring Program instead of the Local Hiring Program.

### **Regulatory Approvals**

San Francisco Human Rights Commission (HRC) – The solicitation for bids will be advertised to reach contractors through the following methods:

- Human Rights Commission list of contractors
- Human Resources Outreach list of contractors
- Port Internet
- City and County of San Francisco purchasing internet
- Plan rooms (Builders Exchange, Contractors Information network, etc.) 18 total
- Newspapers (SF Examiner, SF Chronicle and Small Business Exchange)

The project will not include an HRC subcontracting goal for Local Business Enterprise (LBE) participation because the project is funded by the United States Department of Homeland Security's Port Security Grant and federal regulations for the grant funds prohibit geographic preferences.

*Other Approvals* – This project will have a Port building permit and interdivisional approvals prior to construction award per Port Engineering standard guidelines. The project involves minor modifications to the existing Pier 50D Shed electrical distribution and are exempt from environmental review, pursuant to a Categorical Exemption issued by the San Francisco Planning Department to the Port, dated March 11, 2011, pursuant to the California Environmental Quality Act (CEQA).

### **Funding**

The engineer's estimate and funding source for this project are noted below:

<b>Title</b>	<b>Amount</b>
Engineer's Estimate	\$ 503,455
10% Project Contingency	\$ 50,345
Total	\$ 553,800





The estimated construction cost and 10% contingency are fully funded by the United States Department of Homeland Security's Port Security Grant PSGP2007S-CPO169-01.

### **Schedule**

The project construction is scheduled to start in April, 2012 and the anticipated completion date is in June, 2012.

The following is the anticipated project schedule:

Commission Approval to Advertise	February 14, 2012
Advertise for Bid	February, 2012
Bids Due	March, 2012
Award of Contract	April, 2012
Notice to Proceed	April, 2012
Final Completion	June, 2012

### **Summary**

Port staff is prepared to seek competitive bids for the subject construction project. Therefore, Port staff requests Port Commission authorization to advertise for competitive bids for the contract No. 2756, Pier 50D Emergency Power Modifications Project.

Prepared By: James J. Lee, P.E.  
Electrical Engineer

Mabal S. Bhat  
Senior Electrical Engineer

For: Ken Tashian  
Program Manager  
Homeland Security

Edward F. Byrne, S.E.  
Chief Harbor Engineer

Sidonie Sansom  
Director of Homeland Security



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-07**

- WHEREAS, The Port's Pier 50 Maintenance Facility at Shed D needs emergency power backup to operate machinery to support post-disaster recovery under the Port Emergency Operations Plan; and
- WHEREAS, Port staff is prepared to advertise and seek competitive bids for the construction Contract No. 2756, Pier 50D Emergency Power Modifications Project (the "Project"); and
- WHEREAS, The construction contract for this Project will modify the existing Pier 50 Shed D power distribution system to connect two trailer mounted portable generators; and
- WHEREAS, Port engineering staff and the City's Department of Public Works engineering staff have completed design drawings and specifications for the Project; and
- WHEREAS, The engineering construction cost estimate for this Project is \$503,455, with a 10% contingency of \$50,345, for a total of \$553,800; and
- WHEREAS, The estimated Project cost and 10% contingency are fully funded by the United States Department of Homeland Security's Port Security Grant Program; and
- WHEREAS, The Project will not include a subcontracting goal for Local Business Enterprise (LBE) participation because the project is funded by a federal grant and federal regulations for the grant funds prohibit geographic preferences; now, therefore be it
- RESOLVED, That the San Francisco Port Commission hereby authorizes Port staff to advertise for and accept competitive bids for Contract No. 2756, Pier 50D Emergency Power Modifications Project.

***I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 14, 2012.***

\_\_\_\_\_  
Secretary







## MEMORANDUM

February 9, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer *M. Moyer*  
Executive Director

**SUBJECT:** Request Authorization to Award Construction Contract 2726, Brannan Street Wharf Project, to Dutra Construction Co., Inc., in the Amount of \$13,537,800, and authorization for a contract contingency fund of 10% of the contract amount (or \$1,353,780) for unanticipated contingencies, for a total authorization not to exceed \$14,891,580.

### **DIRECTOR'S RECOMMENDATION:** Adopt Attached Resolution

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#### **Introduction:**

Port staff requests that the Port Commission authorize the award of construction Contract 2726, the Brannan Street Wharf Project ("Project"), to Dutra Construction Co., Inc. ("Dutra"), the lowest responsive, responsible bidder. The construction Project will create the Brannan Street Wharf, a new 58,700-square-foot-pile-supported public open space park over the Bay and adjacent to the Embarcadero Promenade between Piers 30/32 and Pier 38 (See Exhibits "A", Vicinity Map, and "B", Site Plan). The creation of the Brannan Street Wharf is identified as a Geographic-Specific Policy in the San Francisco Bay Conservation and Development Commission's San Francisco Waterfront Special Area Plan ("SAP").

The Project scope includes bulkhead wharf demolition, bulkhead seawall modification, wharf construction, architectural concrete and metal work, electrical, plumbing, landscaping, irrigation, and site furnishings. The Project is funded by proceeds from a land sale, Port capital funds, and bonds from the 2008 Clean and Safe Neighborhood Parks General Obligation Bond Measure, approved by San Francisco voters in February of that year. The proposed construction is scheduled for substantial completion by the end of June 2013, consistent with the 34<sup>th</sup> America's Cup Host City

**THIS PRINT COVERS CALENDAR ITEM NO. 8C**



Agreement. However, the schedule is contingent upon completion of the United States Army Corps of Engineers Pier 36 Removal Project which is scheduled for completion in early June, 2012. It is also noted that the Project float and gangway cannot be awarded at this time due to insufficient funds.

**Background:**

The Port Commission, at its meeting on Tuesday, November 15, 2011, authorized staff to advertise for construction bids for the Project (Port Commission Resolution 11-72). To ensure a contract could be awarded with the available funding, the bid was structured with base bid items and five additive alternate bid items as follows:

Base Bid - Wharf: Construction of an approximately 51,700 sf. portion of the Brannan Street Wharf including an approximately 23,500 sf. raised lawn, interpretive exhibit, tidal columns, chairs, and benches; reconstruction of an approximately 525 ft. long section of the art ribbon (referred to as Phase 1 in the BCDC Permit).

Alternate 1 – North Wharf: Demolition of an approximately 8,200 sf. portion of bulkhead wharf section 11a adjacent to Pier 32, including approximately 4,400 sf. that currently serves as The Embarcadero Promenade; strengthen approximately 195 feet of bulkhead seawall section 11a by placing rock revetment; construction of an approximately 4,100 sf. north portion of the Brannan Street Wharf (the remainder) and reconstruction of approximately 4,400 sf. of wharf under the Embarcadero Promenade.

Alternate 2 – Shade Structure: Construction of an approximately 1,250 sf. painted steel and wood shade structure.

Alternate 3 – Float & Gangway, Concrete Float Option: Construction of a 2,400 sf. small craft float (concrete) and aluminum gangway, anchored by four steel guide piles.

Alternate 4 – Float & Gangway, Steel Float Option: Construction of a 2,400 sf. small craft float (steel) and aluminum gangway, anchored by four steel guide piles.

Alternate 5 – Stainless Steel Edge Railing (in lieu of painted steel): Fabrication and installation of a stainless steel edge railing (in lieu of painted steel).

The Engineer's Estimate for the base bid items was \$12,028,572 and the estimate including all additive alternate items was \$17,808,000. Available funding for award of the construction contract was determined as \$13,630,000 and Port staff established the order of alternates as follows: Alternate 1 (North Wharf), followed by the lesser of Alternate 3 or 4 (Concrete Float or Steel Float, respectively), followed by Alternate 2 (Shade Structure), and Alternate 5 (Stainless Steel in lieu of painted edge railing).

Port staff published the advertisement for bids on December 2, 2011, and conducted an optional Pre-Bid Meeting on December 13, 2011. After a seven week solicitation period, staff opened bids on January 23, 2012. Staff received four bids for this project with the low bid 18% under the Engineer's Estimate, the high bid 8% over, and the





average of the bids 3% under the estimate. A summary of the bids is attached (See Exhibit "C", Bid Summary).

Dutra Construction Co., Inc. ("Dutra") submitted the low bid of \$11,399,000 for the base bid items and Dutra is the low bidder when considering the additive alternates in the prioritized order. Dutra's bid, including all of the alternates, is \$14,387,800. Because funding is not sufficient to award the second alternate in order of priority (the float and gangway, either alternate 3 or 4), this alternate has been eliminated and the recommended contract award includes additive alternates 1, 2 and 5, for a total sum of \$13,537,800. Port staff have reviewed Dutra's bid and deemed it responsive to the bid requirements.

### **Local Business Enterprise**

The Human Rights Commission ("HRC") evaluates bids for compliance with the City's Administrative Code Chapter 14B (known as the Local Business Enterprise and Non-Discrimination in Contracting Ordinance). For this contract, HRC staff established a Local Business Enterprise ("LBE") subcontractor participation goal of 9% for the base bid items. On February 2, 2012, HRC staff determined that Dutra's bid satisfied the 9% LBE goal and thus, Dutra, is eligible for the award of the contract (see Exhibit "D"). Dutra's LBE subcontractor participation for this contract is 14.08% for the base bid items and 15.12% including additive alternates 1, 2 and 5.

### **San Francisco Local Hiring Policy for Construction**

The proposed contract includes the requirement for the contractor to hire locally in accordance with the City's Local Hiring Policy for Construction, which became effective on March 25, 2011 (Administrative Code Section 6.22(G)). The mandatory participation level in terms of Project Work Hours within each trade to be performed by Local Residents is 20%, with a goal of no less than 10% of Project Work Hours within each trade to be performed by Disadvantaged Workers. By submitting a bid, Dutra has agreed to comply with the policy and to ensure that subcontractors of all tiers also comply. Port staff will not issue a Notice to Proceed until Dutra has submitted a Local Hiring Workforce Projection and Local Hiring Plan to the Office of Economic and Workforce Development ("OEWD"). During the contract period, OEWD may monitor for compliance with the ordinance.

### **Regulatory Permits**

All required permits and regulatory approvals including a Final Environmental Impact Report (certified on June 16, 2011, and adopted by the Port Commission on August 15, 2011 (Resolution 11-54)) have been secured except for the following as noted:

*Port of San Francisco Building Permit:* Staff will secure the permit prior to issuing the Notice to Proceed.

*Incidental Harassment Authorization (IHA)* – Pursuant to the Marine Mammals Protection Act (MMPA), a complete and adequate application for an IHA to take marine mammals, by harassment, incidental to pile driving, has been filed with the National Oceanic and Atmospheric Administration's ("NOAA") National Marine Fisheries Service



(NMFS). NMFS will issue the final IHA within 60 days prior to the start of pile driving, expected to occur in June, 2012.

*U.S. Army Corps of Engineers Section 404 of the Clean Water Act* – This permit is required for the contractor to place rock revetment on the shoreline of the bay. Staff expects to secure the permit prior to issuing the Notice to Proceed.

The San Francisco Bay Conservation and Development Commission (“BCDC”) issued a major permit for the Project (Permit No. 2010.001.00) which includes a requirement to complete Phase 1 of the Project (the Base Wharf) by December 1, 2014, and Phase 2 of the Project (the remainder) within 5 years of completion of Phase 1, or by December 1, 2019, whichever is earlier, unless an extension of time is granted by amendment. Given the anticipated Project schedule (see below), this permit condition will require construction of the entire Brannan Street Wharf Project, including the float and gangway, by the end of July 2018.

#### **Funding:**

The amount of Project funding currently expected for the construction contract and 10% contingency is approximately \$14,993,000 and comes from the following sources:

- Proceeds from Land Sale of Seawall Lot 330
- Port Annual Capital Budget Funding
- 2008 Clean & Safe Neighborhood Parks Bond

The funding is sufficient to award the base bid scope of work and alternates 1, 2 and 5, but without the float and gangway (alternate 3 or 4). As noted above, the BCDC Permit requires completion of the entire project, including the float and gangway, by July 2018. In the interim, staff will seek additional funding, estimated at \$834,000, to add the float and gangway to the Project within 12 months of the proposed contract award. If the funds cannot be secured in time, staff intend to plan a future project to construct and install the float and gangway to meet the permit requirement.

Furthermore, the funding from the 2008 Parks Bond is subject to the upcoming bond sale by the City. However, the funds are expected to be available in early March 2012, just prior to scheduled contract execution date.

#### **Schedule:**

The following is the anticipated Project schedule:

Port Commission Authorization to Award	February 14, 2012
Estimated Notice to Proceed (NTP)	March 20, 2012
Estimated Substantial Completion (450 Days)	June 13, 2013
Estimated Final Completion (30 Days)	July 13, 2012

#### **Summary:**

Port staff recommend that the Port Commission authorize the award of construction Contract No. 2726, Brannan Street Wharf Project, to Dutra Construction Co., Inc., the





lowest responsive, responsible bidder, in the amount of \$13,537,800 for the base bid and additive alternate items 1, 2 and 5, and further authorize staff to increase the contract amount, through contract modification or change order, if needed for unanticipated contingencies, by an additional \$1,353,780 (10% of the contract amount), to a total amount of not to exceed \$14,891,580. Dutra's bid includes LBE subcontractor participation of 15.12% for the total contract amount including alternate items, and HRC has determined the bid to meet the Administrative Code Chapter 14B requirements. Dutra has committed to meeting the requirements of the City's Local Hiring Policy for Construction. Port staff also recommend that the Port Commission authorize the Executive Director to accept the work once it is complete.

Prepared by: Steven Reel, Project Manager  
Engineering

For: Ed Byrne, Chief Harbor Engineer  
Engineering

Exhibits

- A: Vicinity Map
- B: Site Plan
- C: Bid Summary
- D: HRC Review Memorandum



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-08**

- WHEREAS, The creation of the Brannan Street Wharf is a geographic-specific policy of the San Francisco Bay Conservation and Development Commission's San Francisco Waterfront Special Area Plan; and
- WHEREAS, The Port Commission previously authorized the advertisement of the construction Contract No. 2726, Brannan Street Wharf Project ("Project") (Port Commission Resolution 11-72), at its meeting on November 15, 2011; and
- WHEREAS, Port staff received four bids for the Project on January 23, 2012; and
- WHEREAS, Port Engineering staff and the Human Rights Commission ("HRC") staff reviewed the bids and have determined that Dutra Construction Co., Inc. ("Dutra") is the lowest responsive, responsible bidder for the Project; and
- WHEREAS, Dutra's bid commits 14.08% to Local Business Enterprises (LBE) subcontractor participation for the base contract and 15.12% for the entire contract with alternate bid items, which satisfies the LBE subcontracting goal of 9% for the base contract as established by the HRC; and
- WHEREAS, The construction contract will require compliance with the City's Local Hiring Policy for Construction Ordinance (Administrative Code Section 6.22(G)); and
- WHEREAS, Funding sources for the Project include proceeds from the land sale of seawall lot 330, Port capital funds, and bond funds from the 2008 Clean and Safe Neighborhood Parks Bond; now, therefore be it
- RESOLVED, That the Port Commission hereby authorizes Port staff to award the construction Contract No. 2726, Brannan Street Wharf Project, to Dutra Construction Co., Inc., the lowest responsive, responsible bidder, for the amount of \$13,537,800, for the base bid and additive alternate bid items 1, 2 & 5; and be it further
- RESOLVED, That the Port Commission hereby authorizes Port staff to increase the contract amount, through contract modification or change order if needed for unanticipated contingencies, by an additional \$1,353,780 (10% of \$13,537,800) for a total amount not to exceed \$14,891,580; and be it further





RESOLVED, That the Port Commission hereby authorizes the Executive Director to accept the work once it is complete.

***I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 14, 2012.***

---

Secretary



ATTACHMENT A – Vicinity Map



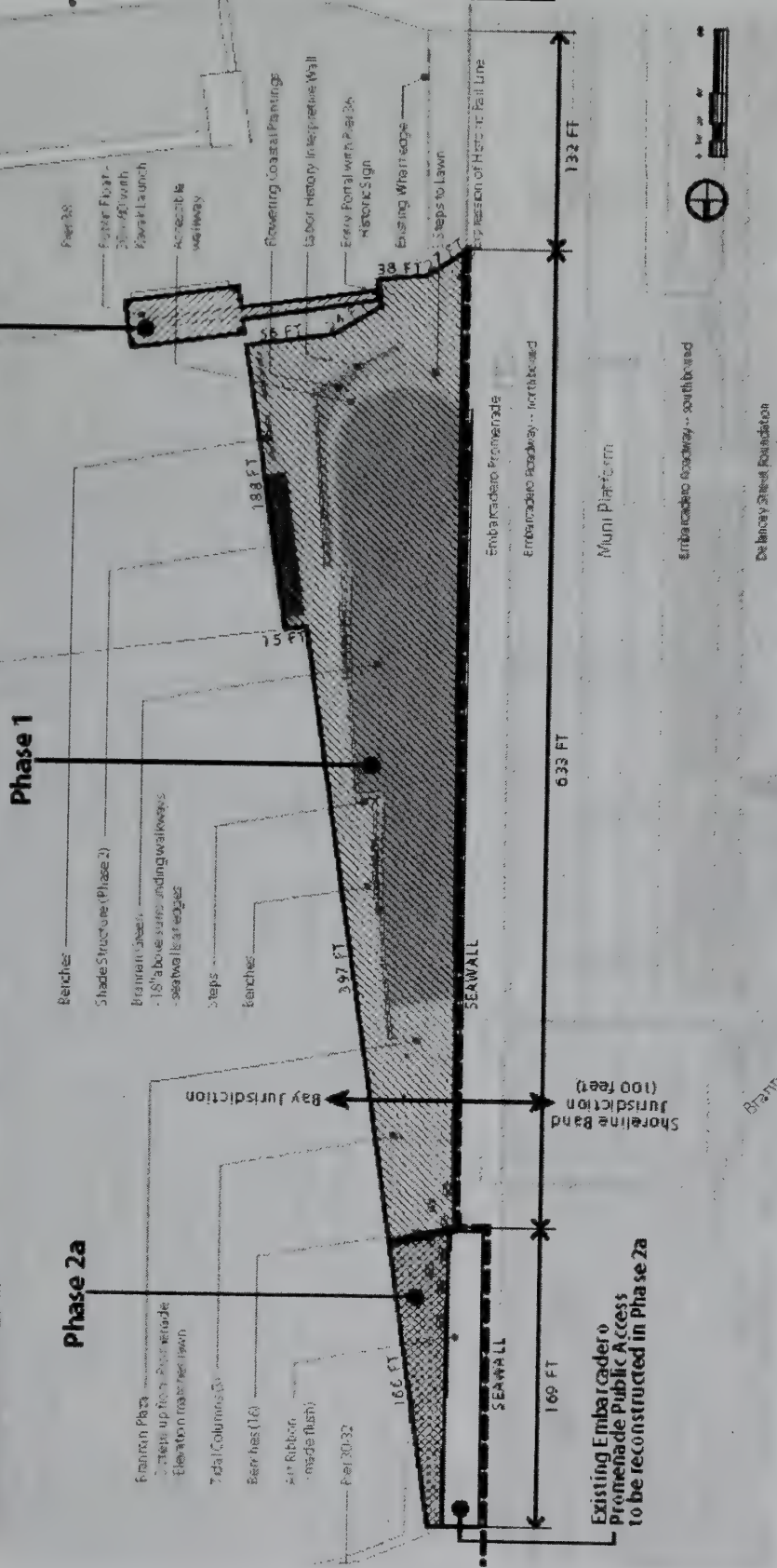




# ATTACHMENT B – Site Plan

PHASE	DESCRIPTION	PROJECT AREA	NEW PUBLIC ACCESS AREA	EXISTING PUBLIC ACCESS AREA
PHASE 1	BASE WHARF	51,700 SF	51,700 SF	0 SF
PHASE 2a*	NORTH WHARF	8,500 SF	4,100 SF	4,400 SF
PHASE 2b	FLOAT & GANTRY	2,900 SF	2,900 SF	0 SF
	TOTAL ALL PHASES	63,100 SF	58,700 SF	4,400 SF

\* PHASE 2a INCLUDES RECONSTRUCTION OF 6,400 SF PORTION OF THE EMBARCADERO PROMENADE BAYWARD OF THE SEAWALL AT SEE TION 11A



Brannan Street Wharf

Port of San Francisco

Exhibit A: Public Access Plan

October, 2011



# Attachment C – Bid Summary

Contract #2726 Brannan Street Wharf - BID SUMMARY (FINAL)  
by SR, 1/23/2012 (Updated 2/03/2012)

RANK →

4

2

1

3

SCHEDULE OF BID PRICES		Amount Available For Construction \$ 13,630,000		ID 1		ID 2		ID 3		ID 4		ITEM		ITEM		ITEM	
Item #	Base Project Items	Qty	Eng. Estimate	Vortex	Dutra	Proven	Manson	AVERAGE	%	MEDIAN	%						
1	BASE WHARF	LS	\$ 12,028,572	\$ 12,500,000	\$ 10,897,000	\$ 11,850,000	\$ 14,334,000	\$ 12,395,250	103%	\$ 12,175,000	101%						
2	MOBILIZATION (MAXIMUM OF 5% BID ITEM 1)	LS	\$ 601,428	\$ 615,000	\$ 502,000	\$ 430,000	\$ 180,000	\$ 431,750	72%	\$ 468,000	77%						
	TOTAL BASE BID PRICE		\$ 12,630,000	\$ 13,115,000	\$ 11,399,000	\$ 12,280,000	\$ 14,514,000	\$ 12,827,000	102%	\$ 12,697,500	101%						
	Calculate Mobilization Maximum Amount Check (OK or NG)		\$ 601,429	OK	\$ 544,850	OK	\$ 716,700	OK									
	Add Alternate Items																
1	ADD Lump Sum: North Wharf	LS	\$ 3,012,000	\$ 3,278,000	\$ 1,782,900	\$ 2,725,000	\$ 2,754,300	\$ 2,635,050	87%	\$ 2,739,650	91%						
2	ADD Lump Sum: Shade Structure	LS	\$ 373,000	\$ 161,000	\$ 190,900	\$ 185,000	\$ 306,500	\$ 210,850	57%	\$ 187,950	50%						
3	ADD Lump Sum: Float & Gangway - Concrete Float Option	LS	\$ 1,550,000	\$ 821,000	\$ 866,000	\$ 1,000,000	\$ 1,430,000	\$ 1,029,250	66%	\$ 933,000	60%						
4	ADD Lump Sum: Float & Gangway - Steel Float Option	LS	\$ 1,277,000	\$ 1,516,000	\$ 850,000	\$ 450,000	\$ 1,550,000	\$ 1,091,500	85%	\$ 1,183,000	93%						
5	ADD Lump Sum: Edge Railing - Stainless Steel	LS	\$ 516,000	\$ 295,000	\$ 165,000	\$ 400,000	\$ 323,000	\$ 295,750	57%	\$ 309,000	60%						
TOTAL BID PRICE WITH ALTERNATES IN ORDER OF PRIORITY (1, lessor of 3 or 4, 2, 5)																	
	BASE BID		\$ 12,630,000	\$ 13,115,000	\$ 11,399,000	\$ 12,280,000	\$ 14,514,000	\$ 12,827,000	102%	\$ 12,697,500	101%						
	BASE + 1		\$ 15,642,000	\$ 16,393,000	\$ 13,181,900	\$ 15,005,000	\$ 17,288,300	\$ 15,462,050	99%	\$ 15,999,000	100%						
	BASE + 1 + (lessor of 3 OR 4)		\$ 16,919,000	\$ 17,214,000	\$ 14,031,900	\$ 15,455,000	\$ 18,698,300	\$ 16,349,800	97%	\$ 16,334,500	97%						
	BASE + 1 + (lessor of 3 OR 4) + 2		\$ 17,292,000	\$ 17,375,000	\$ 14,222,800	\$ 15,640,000	\$ 19,004,800	\$ 16,560,650	96%	\$ 16,507,500	95%						
	BASE + 1 + (lessor of 3 OR 4) + 2 + 5		\$ 17,808,000	\$ 17,670,000	\$ 14,387,800	\$ 16,040,000	\$ 19,327,800	\$ 16,856,400	95%	\$ 16,855,000	95%						
	BASE + 1 + 2		\$ 16,015,000	\$ 16,554,000	\$ 13,372,800	\$ 15,190,000	\$ 17,574,800	\$ 15,672,900	98%	\$ 15,872,000	99%						
	BASE + 1 + 2 + 5		\$ 16,531,000	\$ 16,849,000	\$ 13,537,800	\$ 15,590,000	\$ 17,897,800	\$ 15,968,650	97%	\$ 16,219,500	98%						
	% of Eng Estimate (Base + 1 + 2 + 5)		101.92%	101.92%	81.89%	94.31%	108.27%										
	Delta from Engineer's Estimate		\$ 318,000	\$ 318,000	\$ (2,993,200)	\$ (941,000)	\$ 1,366,800										
	Delta from Low Bid (Base + 1 + 2 + 5)		\$ 3,311,200	\$ 3,311,200	\$ -	\$ 2,052,200	\$ 4,360,000										
	HRC % Claimed (9% goal)		16.5%	16.5%	14.6%	12.8%	6.2%										
	HRC Responsive		Not Reviewed	Not Reviewed	YES (14.08%)	Not Reviewed	Not Reviewed										
	Qualified		Not Reviewed	Not Reviewed	YES	Not Reviewed	Not Reviewed										





## Attachment D – HRC Memorandum

City and County of San Francisco



Edwin M. Lee  
Mayor

Human Rights Commission

Contract Compliance  
Dispute Resolution/Fair Housing  
Small Micro Local Business Enterprise  
Lesbian Gay Bisexual Transgender & HIV Discrimination


Theresa Sparks  
Executive Director

ATTACHMENT D

### MEMORANDUM

**Date:** February 3rd, 2012

**To:** Steven Reel, Project Manager, SF Port

**From:**  Finbarr Jewell, Contract Compliance Officer, SFHRC

**Subject:** Award of Contract No. 2726, The Brannan Street Wharf

The Human Rights Commission ("HRC") has evaluated the bids on the above referenced project for compliance with HRC 14B pre-award requirements. An LBE goal of 9% was established for the contract using the Port's base bid construction estimate

Four firms submitted bids for this contract. The HRC reviewed the lowest bidder, Dutra Construction Co., INC. Pursuant to Chapter 14B a responsive bidder must meet the established project participation goal of 9%. The LBE goal was calculated using the base bid dollar value.

Based on the review, Dutra Construction Co., Inc. is deemed the lowest responsive bidder to the HRC's LBE subcontracting goal.

Bid discounts are not applicable for this to any process where the contract is estimated by the Contract Awarding Authority to cost in excess of \$10 Million.

The HRC has determined that Dutra Construction Co., Inc. is responsive to the Chapter 14B requirements and listed the following LBE commitment:

See Chart:

A G Electric	LBE/OBE	\$165,800	1.45%
Bauman Landscape	LBE/OBE	\$ 1,257,800	11.03%
DLD Lumber	LBE/MBE	\$103,899 X 60%	0.55%
Municon	LBE/OBE	\$29,100	0.25%
Zaccor Companies	LBE/OBE	\$72,000	0.63%
Underwater	LBE/OBE	\$19,906	0.17%
Total LBE Participation			14.08



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HRC calculated DLD Lumber's LBE participation at 60% because they are only certified as a Construction & Material supplier, and Dutra is only entitled to 60% LBE credit under the 14B Administrative Code.

In addition, the Port has requested HRC to calculate LBE participation for Alternates 1, 2 and 5. It is noted that the LBE participation goal is only counted on the Base Bid and not the Alternates, which are reported here only as a courtesy.

See Chart:

LBE participation for the use of Alternate 1:

Bauman Landscape	LBE/OBE	\$116,100	6.51%
Zaccor Companies	LBE/OBE	\$300,000	16.83%
Glass Block	LBE/WBE	\$21,505	1.21%
Underwater Resources	LBE/OBE	\$2,000	0.11%
Total LBE Participation for Alternate 1			24.66%

LBE participation for the use of Alternate 2:

No LBE Participation for Alternate 2	\$0	0.00%
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LBE participation for the use of Alternate 5:

No LBE participation listed for Alternate 5.	\$0	0.00%
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Including Base Bid and Alternates 1, 2 and 5, the total LBE participation is 15.12% of the contract amount.







## MEMORANDUM

February 9, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer   
Executive Director

**SUBJECT:** Request for authorization to award to each of: (1) BAE Urban Economics, Inc.; (2) Economic & Planning Systems, Inc.; (3) Keyser Marston Associates, Inc.; and (4) Seifel Consulting, Inc., a contract for as-needed real estate economics and related consulting services, each in an amount not to exceed \$500,000.

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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### Introduction

Port staff requests Commission authorization to enter into master agreements (contracts) with a pool of consultant teams that were pre-qualified for contract award pursuant to a Request for Qualifications (RFQ) process administered by Port staff over the past few months.

The RFQ solicited responses from qualified consultant teams with multidisciplinary expertise in real estate economics, site and master planning, urban design, architecture, historic preservation, transportation planning, and related professional services. These consulting services will support Port staff in its planning and management of the waterfront, and in negotiating long-term leases and development agreements on mixed-use public-private partnership development projects.

Currently, the Port retains real estate economics and related professional services on an "as-needed" basis through four existing real estate economics and related consulting services contracts, executed pursuant to a 2006 Commission authorization. The existing contracts have provided a timely and cost-effective vehicle for the provision of such

**THIS PRINT COVERS CALENDAR ITEM NO. 8D**



professional services; however, as the current set of contracts are due to expire at the end of this month, a new set of master agreements is now needed.

Under the new agreements, the consultant teams will serve the Port on an as-needed basis to assist with a variety of important Port projects, such as Pier 70, Seawall Lot 337, America's Cup, and others. Such consultant assistance will include analyzing and making recommendations regarding the development potential of underutilized or dilapidated Port buildings and sites; performing market research for various uses to determine current lease rates and land values; formulating financing plans; reviewing and analyzing the architectural and historic significance of Port buildings and sites; developing preliminary concept and site plans; determining business terms, evaluation criteria, and other requirements of RFQ/RFPs for public-private partnership development projects; advising and supporting Port staff during the long-term, complex exclusive negotiations period with a selected developer; and many other aspects of the planning and development process.

### **Background**

On August 10, 2011, the Port Commission authorized staff to advertise a Request for Qualifications (RFQ) for as-needed real estate economics and related consulting services (Port Commission Resolution No 11-53). Staff also secured the requisite Civil Service Commission and IFPTE Local 21 approvals prior to advertising the RFQ (PSC#4015-11/12). The RFQ incorporated a Local Business Enterprise (LBE) subcontracting goal of 22% as determined by the Port's Human Rights Commission (HRC) Contract Compliance Officer in consultation with Port staff.

The RFQ was issued on October 3, 2011, with submittals due on November 4, 2011. A pre-submittal meeting was held on October 14, 2011. Over 35 people representing various firms attended the pre-submittal meeting.

The Port received six responses to the RFQ, each consisting of one lead consultant and a number of sub-consultants in a variety of professional disciplines, per the RFQ requirements. The following six consultant teams (identified by the lead consultant in alphabetical order) responded to the RFQ:

1. BAE Urban Economics, Inc.
2. Colliers International, Inc.
3. Economic & Planning Systems, Inc.
4. Gruen Gruen + Associates
5. Keyser Marsten Associates, Inc.
6. Seifel Consulting, Inc.

Port and HRC staff reviewed the submittals and determined all six to be responsive to the RFQ requirements. A three-member selection committee comprised of one Port staff member, plus one staff member each from San Francisco Office of the Controller and the San Francisco Redevelopment Agency, reviewed and scored the submittals based on the evaluation criteria specified in the RFQ. The evaluation criteria were: 1)





Lead Consultant Experience (40 points); 2) Team Composition and Staffing Plan (30 points); and 3) Work Approach (30 points).

Although not considered as an evaluation criteria, the inclusion of fee schedules (i.e. schedules of hourly billing rates) for each participating firm was one of the RFQ requirements. The RFQ specified that the Port retains the right to negotiate fees during the contracting phase. Once the fee schedules for each of the selected teams have been finalized, they will be incorporated into their respective master agreements and remain fixed (allowing for reasonable cost of living adjustments) over the life of the contracts.

### **Pre-Qualification**

As stipulated in the RFQ, a total score of 75 points or higher out of a possible 100 was required to be placed on the 'pre-qualified' list of consulting teams eligible for contract award. Following the evaluation panel's scoring of the RFQ submittals, Port and HRC staff tabulated the results and determined that four of the six respondents had met the requirements to be placed on the pre-qualified list, while the other two - Colliers International and Gruen Gruen + Associates - fell short of the requisite 75 points. Accordingly, the following four teams, each of which scored more than 75 points, are recommended for contract award pending successful contract negotiations:

1. BAE Urban Economics, Inc. (BAE)
2. Economics & Planning Systems, Inc. (EPS)
3. Keyser Marsten Associates, Inc. (KMA)
4. Seifel Consulting, Inc.

If approved and executed, each of the four master agreements will have an initial contract term of three years with an option to extend for an additional year at the Port's sole discretion, and a total not-to-exceed value of \$500,000. The cumulative not-to-exceed value of the four contracts is \$2,000,000.

It is worth noting that all of the prime contractors among the four pre-qualified teams have served the Port as consultants in the past. Three of the four lead consultants – BAE, EPS and KMA – are prime contractors under the expiring set of as-needed contracts, while the fourth, Seifel Consulting, has been a subcontractor under the EPS contract. All four firms have also worked extensively with other departments of the City and County of San Francisco, such as the Planning Department, the Redevelopment Agency, and the Mayor's Office of Housing.

### **Scope of Services, Team Composition and LBE Participation**

Due to the very nature of as-needed services and because the needs of each project or site are so diverse and site-specific, it is impossible to define a specific scope of work associated with these contracts. Generally, however, the scope of services includes the following five core areas:



1. Real Estate Economics
2. Site and Master Planning
3. Urban Design and Architecture
4. Historic Preservation Planning
5. Transportation Planning and Analysis

Each of the five core service areas listed above includes a great many subcategories. For example, the real estate economics category includes subcategories such as lease negotiations, financial feasibility analysis, development cost forecasting/projections, market and site feasibility analysis, entitlement feasibility analysis, marketing and leasing strategic planning, highest and best use analysis, economic impact analysis, public/private partnership development transactions structure, and others.

Specific work tasks, schedules, and budgets for each project will be developed by Port staff and consultants separately as 'contract service orders' (CSOs), on an as-needed basis over the term of the master agreements.

The number of subcontractors on the four teams range from a low of four (BAE) to a high of nine (KMA). Each team includes at least three LBE subcontractors. One of the prime contractors, Seifel Consulting, is itself a certified LBE, while the other three prime contractors all have a track record of fulfilling the Port's LBE subcontracting goals under the existing as-needed contracts.

The matrix below shows the full spectrum of professional services for each of the four selected teams. All four teams will be led by a prime contractor specializing in real estate economics and/or urban planning, and will include a variety of subcontractors covering the full range of core services, and in some cases additional (non-core) services. Certified LBEs are indicated with an asterisk.





**Summary of Selected As-Needed Consultant Teams  
Real Estate Economics RFQ – Feb 2012**

\*Denotes LBE

<b>Lead Consultant (Real Estate Economics)</b>	<b>Historic Preservation</b>	<b>Site and Master Planning</b>	<b>Urban Design/Architecture</b>	<b>Transportation Planning</b>	<b>Other</b>
BAE Urban Economics (BAE)	<ul style="list-style-type: none"> <li>Carey and Co.*</li> </ul>	<ul style="list-style-type: none"> <li>The Planning Center / DC&amp;E</li> </ul>	<ul style="list-style-type: none"> <li>BMS Design Group*</li> </ul>	<ul style="list-style-type: none"> <li>CHS Consulting*</li> </ul>	
Economic & Planning Systems (EPS)	<ul style="list-style-type: none"> <li>Carey and Co.*</li> </ul>	<ul style="list-style-type: none"> <li>ROMA Design</li> <li>Okamoto Saijo*</li> </ul>	<ul style="list-style-type: none"> <li>ROMA Design</li> <li>Okamoto Saijo*</li> <li>Bionic Planning*</li> </ul>	<ul style="list-style-type: none"> <li>CHS Consulting*</li> </ul>	<ul style="list-style-type: none"> <li>Bionic Planning*</li> <li>Sedway</li> </ul>
Keyser Marston Associates (KMA)	<ul style="list-style-type: none"> <li>Carey and Co.*</li> </ul>	<ul style="list-style-type: none"> <li>BMS Design Group*</li> <li>Dyett and Bhatia</li> </ul>	<ul style="list-style-type: none"> <li>Pfau Long Architecture*</li> <li>KMD Architects</li> <li>Robin Chiang and Co.*</li> </ul>	<ul style="list-style-type: none"> <li>CHS Consulting*</li> </ul>	<ul style="list-style-type: none"> <li>AGS (Engin/Geotech)*</li> <li>3D Visions (PR)*</li> </ul>
Seifel Consulting*	<ul style="list-style-type: none"> <li>Architectural Resources Group (ARG)</li> </ul>	<ul style="list-style-type: none"> <li>BMS Design Group*</li> </ul>	<ul style="list-style-type: none"> <li>BMS Design Group*</li> <li>Field Paoli</li> <li>Robin Chiang and Co.*</li> <li>Arup</li> </ul>	<ul style="list-style-type: none"> <li>Nelson/Nygaard</li> </ul>	<ul style="list-style-type: none"> <li>M. Lee Consulting (Cost Est.)*</li> <li>Conley Consulting</li> <li>Davis and Associates (PR)*</li> </ul>

## **Funding**

For each of the four contracts, staff proposes a total not-to-exceed contract amount of \$500,000. Funding for these contracts will be provided through the Port's operating budget; the Port's biennial operating budget for FY 2011/12 and 2012/13 includes \$500,000 per year for Professional & Specialized Services within the Planning & Development division, which has primary management and funding responsibility of these contracts.

Staff anticipates that a significant portion of the Port's costs associated with these contracts will be directly offset through reimbursement agreements between the Port and its private development partners.

Each CSO issued by the Port under the master agreements will be subject to available funding. Budgeted amounts for each CSO will depend on the specific needs of the project and will be subject to negotiation.



## Summary

Port staff request authorization to award to each of: (1) BAE Urban Economics, Inc.; (2) Economic & Planning Systems, Inc.; (3) Keyser Marston Associates, Inc.; and (4) Seifel Consulting, Inc., a contract for as-needed real estate economics and related consulting services, each in an amount not to exceed \$500,000, with an initial term of three years and an option to extend the term for an additional year at the Port's sole discretion. The cumulative value of the four contracts is \$2,000,000 over a maximum of four years. The contracts are funded through the Port's annual operating budget.

Prepared by: James Hurley  
Feasibility Analyst

For: Byron Rhett, Deputy Director  
Planning & Development

Elaine Forbes, Deputy Director  
Finance & Administration





**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-09**

- WHEREAS, Port staff requires consultant expertise and assistance in the areas of real estate economics, land use planning, urban design, architecture, historic preservation, and others for projects currently in the planning, negotiations, and entitlement phases as well as for future projects; and
- WHEREAS, The Port's current set of four as-needed real estate economics and related consulting services contracts, executed pursuant to a 2006 Commission authorization, have provided a timely and cost-effective vehicle for the provision of such professional services, but those contracts are set to expire on February 28, 2012; and
- WHEREAS, Port staff obtained approval from the Civil Service Commission on August 1, 2011, to contract with private consulting firms for as-needed real estate economics and related consulting services in an amount not to exceed \$2,000,000, to be divided into four separate contracts, each with a not to exceed amount of \$500,000 and an initial term of three years and an option to extend for an additional year at the Port's sole discretion; and
- WHEREAS, Through Resolution No. 11-53, the Port Commission approved the issuance and advertising of the Request for Qualifications ("RFQ") for as-needed real estate economics and related consulting services; and
- WHEREAS, In response to Port staff's issuance of the RFQ, staff received six statements of qualifications that were responsive to the RFQ criteria; and
- WHEREAS, A three-member evaluation committee reviewed and scored the submittals, resulting in four of the six respondent teams being pre-qualified for contract award by receiving 75 points or higher as specified in the RFQ; and
- WHEREAS, Port staff recommend award of four contracts for as-needed real estate economics and related consulting services to the four pre-qualified consultant teams: (1) BAE Urban Economics, Inc.; (2) Economic & Planning Systems, Inc.; (3) Keyser Marston Associates, Inc.; and (4) Seifel Consulting, Inc.; now, therefore be it



RESOLVED, That the Port Commission hereby authorizes award to each of: (1) BAE Urban Economics, Inc.; (2) Economic & Planning Systems, Inc.; (3) Keyser Marston Associates, Inc.; and (4) Seifel Consulting, Inc., a contract for as-needed real estate economics and related consulting services, each in an amount not to exceed \$500,000, with an initial term of three years and an option to extend the term for an additional year at the Port's sole discretion; and be it further

RESOLVED, That the Port Commission authorizes Port staff to execute necessary contract documents, in such form as approved by the City Attorney's office, for such purpose.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 14, 2012.***

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Secretary







## MEMORANDUM

February 9, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer *M Moyer*  
Executive Director

**SUBJECT:** Request approval of a resolution supporting the California High-Speed Rail Project and pledging to work with the California High-Speed Rail Authority and other regional governing entities to promptly implement this project, and supporting Caltrain's electrification as a means to make the regional rail system compatible with high speed rail while designing it to be compatible with the Port's current and future freight rail needs.

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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### Background

The California High-Speed Rail Authority (CAHSRA) is responsible for constructing a "Bay-to-Basin" (San Francisco to Los Angeles) system of high-speed trains, stretching hundreds of miles between two of California's major urban centers, and in doing so, realizing the vision of quality public transportation that California voters approved in 2008.

In November of that year, California voters passed Proposition 1A (Safe, Reliable High-Speed Passenger Train Bond Act) approving \$9.95 billion in bonds to be issued to establish a "clean high-speed train service linking Southern California, Sacramento San Joaquin Valley and San Francisco Bay Area". Of the \$9.95 billion, \$9.0 billion is designated to provide a portion of the local share of funding for the first segment of the high-speed rail network (Phase 1) which is Los Angeles Union Station to San Francisco's Transbay Transit Center. The remaining \$950 million has been designated for capital projects to connect existing passenger rail lines (such as Caltrain) to the high-speed rail system as well as to enhance capacity and improve safety.

**This Print Covers Calendar Item No. 8E**



The San Francisco County Transportation Authority (SFCTA), working cooperatively with other San Francisco stakeholder agencies, is currently studying the feasibility of a "Fast Start" option that would use a "blended" operation between High-Speed Rail and Caltrain to identify an expedited, cost-effective implementable solution for delivering high-speed rail service to the Transbay Transit Center along the Caltrain alignment.

## **Discussion**

Future growth in California dictates the need for high-speed rail, and while the CAHSRA business plan's cost for Phase I is higher than anticipated, it must be emphasized that the State will either need to invest in sustainable modes of travel, or must spend an equal or greater amount to widen highways and expand airports. Therefore High-Speed Rail is a smarter way to make the transportation investments California will need in the coming decades.

California needs to commence key early projects and pre-implementation plans that will pave the way for high-speed trains to travel to their northern terminus at the Transbay Transit Center.

San Francisco, through the Transbay Joint Powers Authority, has shown its strong support for High Speed Rail by the substantial financial commitment to support High Speed Rail with the construction of the Transbay Transit Center, and is currently the only jurisdiction in the country that has done so.

Full implementation of the High-Speed Rail system will link downtown San Francisco with downtown Los Angeles, and ultimately to San Diego, and this goal can only become reality if high-speed trains run all the way up the Peninsula, through Mission Bay, and into the Transbay Transit Center.

In order for the California High-Speed Rail system to achieve maximum ridership, it must terminate in the center of San Francisco's urban center, the most intensive and focused job core in the region, and the Transbay Transit Center offers transit connectivity that will truly drive system ridership, fully completing the inter-regional network and fulfilling the original vision of the rail plan.

The SFCTA is working cooperatively with other local agencies to study the feasibility of a "blended" operation between Caltrain and High-Speed rail that would offer an expedited, cost-effective solution to bringing high-speed rail service to the Transbay Transit Center. This San Francisco High-Speed Rail Technical Working Group (HSR TWG) includes the Transbay Joint Powers Authority, the SFCTA, and a number of San Francisco city agencies including the Office of Economic and Workforce Development, the Municipal Transportation Agency, the Department of Public Works, the Public Utilities Commission, the Planning Department, and the Port of San Francisco.

Improvements on the Peninsula being recommended by the HSR TWG to the CAHSRA to facilitate the expedited service include completion of: the Caltrain electrification project; the Downtown Rail Extension (DTX) to the Transbay Transit Center; nine miles of passing track along the Caltrain alignment; and 42 grade separations in San Francisco, San Mateo and Santa Clara Counties.



The HSR TWG recommendation to CAHSRA will note that the Port of San Francisco is anxious to avoid any loss to freight rail capacity to and from the Port and would like planned expansion to Port operations to be considered in high-speed rail and Caltrain electrification planning. Union Pacific Railroad is a common carrier and operates freight rail on the corridor under an agreement with the Peninsula Corridor Joint Powers Board (Caltrain-JPB). Designs for tunnels and overhead contact systems will need to consider the needs of current and future freight rail service, and compatibility between diesel freight and electric train operations.

## Recommendation

Port staff recommends that the Port Commission approve this resolution supporting High-Speed Rail, pledging to work cooperatively with the California High-Speed Rail Authority and other regional governing entities to implement this project quickly and cost-effectively to the Transbay Transit Center, and supporting Caltrain's electrification as a means to make the regional rail system compatible with the coming high-speed trains while designing it to be compatible with the Port's current and future freight rail needs.

Prepared by: Jim Maloney  
Maritime Marketing Manager





**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-10**

- WHEREAS, The California High-Speed Rail Authority (CAHSRA) is responsible for constructing a Bay-to-Basin system of high-speed trains, stretching hundreds of miles between two of California's major urban centers, and in doing so, realizing the vision of quality public transportation that voters approved in 2008; and
- WHEREAS, The CAHSRA has released the Draft 2012 Business Plan for comment, and that plan reflects a realistic assessment of the time and funds needed to construct the rail system; and
- WHEREAS, The Port Commission is firmly committed to seeing High-Speed Rail built as quickly and cost-effectively as possible and urges the State to issue voter-approved Proposition 1A High Speed Rail Bonds as quickly as possible; and
- WHEREAS, California needs high-speed rail, and while the business plan's cost for Phase I is higher than anticipated, it must be emphasized that the State will either need to invest in sustainable modes of travel, or must spend an equal or greater amount to widen highways and expand airports, therefore High-Speed Rail is a smarter way to make the transportation investments California will need in coming decades; and
- WHEREAS, California needs to get started very soon on key early projects and pre-implementation plans that will pave the way for high-speed trains to travel to their northern terminus at the Transbay Transit Center; and
- WHEREAS, The City of San Francisco, through the Transbay Joint Powers Authority, has evidenced its strong support for High Speed Rail by the substantial financial commitment to support High Speed Rail with the construction of the Transbay Transit Center, and is currently the only jurisdiction in the country that has done so; and
- WHEREAS, Full implementation of the High-Speed Rail system will link downtown San Francisco with downtown Los Angeles, and ultimately to San Diego, and this goal can only become reality if high-speed trains run all the way up the Peninsula, through Mission Bay, and into the Transbay Transit Center; and
- WHEREAS, In order for the California High-Speed Rail system to achieve maximum ridership, it must terminate in the center of San Francisco's urban center, the most intensive and focused job core in the region, and the Transbay Transit Center offers transit connectivity that will truly drive system ridership, fully completing the inter-regional network and fulfilling the original vision of the rail plan; and, now, therefore be it



RESOLVED, That the Port Commission supports High-Speed Rail and pledges to work cooperatively with the California High-Speed Rail Authority and other regional governing entities to implement this important project; and, be it further

RESOLVED, That the Port Commission believes that the High-Speed Rail system must terminate at the Transbay Transit Center in order to fully realize the benefits of a 21<sup>st</sup> century public transportation system; and, be it further

RESOLVED, That the Port Commission supports Caltrain electrification, designed to be compatible with the Port's current and future freight rail needs, as a means to make our regional rail system compatible with the coming high-speed trains.

***I hereby certify the foregoing resolution was adopted by the Port Commission at its meeting of February 14, 2012.***

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Secretary







## MEMORANDUM

February 9, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer *Moyer*  
Executive Director

**SUBJECT:** Request Approval of the Policy for Zero Waste Events and Activities Restricting the Sale, Use, and Distribution of Certain Plastic Bags, Plastic Bottles, Plastic Food Ware, and the Release of Balloons

**DIRECTOR'S RECOMMENDATION: APPROVE RESOLUTION**

### **Background**

In December 2011, Port staff presented to the Port Commission a draft proposal of the Zero Waste Events and Activities Policy to address potential environmental impacts to Port property and the marine environment associated with large events. That December draft policy proposed a restriction of the sale, use, and distribution of certain plastic bags, plastic bottles, plastic food ware, and the release of balloons for events with an anticipated public attendance of 15,000 people or more. The Port Commission directed staff to conduct community outreach and consider applying the policy to events with fewer than 15,000 people. This memorandum describes the Port's proposed policy regarding zero waste requirements for events held at the Port, the community outreach conducted by Port staff, and the proposed application of the policy to events with an anticipated public attendance of 5,000 persons or more, rather than 15,000 as proposed in December 2011. Attached to this memorandum is a copy of the proposed policy, marked to show changes from the December draft.

Port staff recommends adoption of the zero waste requirements described in the proposed policy for Zero Waste Events and Activities (Policy) as a condition of holding an Event (as defined in the attached Policy) on Port property that has an anticipated total public attendance of 5,000 people or more. In addition, Port staff encourages

**THIS PRINT COVERS CALENDAR ITEM NO. 8F**



compliance with the policy for Zero Waste Events and Activities as a stated goal for all smaller events.

The Board of Supervisors adopted Resolution No. 679-02 in September 2002, setting a goal of 75% diversion from landfill by 2010 and promoting the highest and best use of recovered materials and authorizing the Commission on the Environment to adopt a zero waste goal, which it set as 2020. Additionally, the Board of Supervisors enacted the Plastic Bag Reduction Ordinance (Environment Code §§1701-1709) in March 2007, which requires certain stores to provide, to customers, only recyclable paper bags, compostable plastic bags and/or reusable bags to minimize environmental impacts and other challenges associated with single-use plastic shopping bags. Finally, San Francisco Special Events Ordinance No. 73-89 (Transportation Code §6.5) requires any applicant seeking permission for the temporary use or occupancy of a public street, a street fair or an athletic event within the City and County that includes the dispensing of beverages or which generates large amounts of other materials, to submit a recycling plan.

Port staff has been working with the San Francisco Department of the Environment to develop a new policy to address the issues associated with waste generated at events at the Port. The purpose of this policy is to 1) ensure that food waste streams from large outdoor events can be easily composted, and 2) marine life in the Bay is protected from plastics and litter through elimination or reduction of plastics at these events. Based on these discussions, Port staff has developed the attached proposed Policy for Zero Waste Events and Activities.

The Policy for Zero Waste Events and Activities shall apply to all Events on Port property with a total expected attendance of 5,000 or more people aggregated over the number of days the event is held. The Policy for Zero Waste Events and Activities also serves as non-mandatory goals for events and activities with an expected attendance of fewer than 5,000 people. The Port Commission may grant a waiver of any of the provisions of this Policy, in its sole discretion, if the provision that is waived is replaced by an action that (i) protects the Port's and Bay's natural habitat, (ii) is compliant with all laws, and (iii) is in keeping with the environmental spirit of the Port's goals herein. The policy will be implemented as rules and regulations in leases and licenses that allow Events covered by the policy.

### **Port Staff Community Outreach**

On December 16, 2011 Port staff presented this policy to the Port Commission as an informational item. On January 12, 2012, Port staff presented this policy to the Fisherman's Wharf Waterfront Advisory Group (FWWAG). The presentation focused on the purpose of the policy and the requirements and prohibitions of the policy. The FWAAG unanimously endorsed the proposed policy with the recommendation that the policy apply to events that draw as few as 1,000 people. On February 1, 2012, Port staff presented this policy to the Northeast Waterfront Advisory Group (NEWAG), and received supportive comments. Staff also consulted the Fleet Week Organizing Committee, which expressed enthusiastic support for the proposed policy.



## **Recommendation**

Port staff recommends that the Port Commission hereby formally adopt the Zero Waste Event and Activities Policy as described in the attached Exhibit A to the resolution.

Prepared by: Brad Benson, Special Projects Manager  
Richard Berman, Utility Specialist

For: Monique Moyer, Executive Director

## **Enclosures**

1. Exhibit 1 to Staff Report: Proposed Policy marked to show changes from December 2011 draft
2. Port Commission Resolution No. 12-11 for Adoption:
  - A) Zero Waste Events and Activities Policy, February 2012





**EXHIBIT 1  
TO STAFF REPORT  
RED-LINE VERSION OF POLICY**

**PORT OF SAN FRANCISCO  
ZERO WASTE EVENTS AND ACTIVITIES POLICY**

**December 2011  
February 2012**

The Port of San Francisco is proud to host numerous events on Port property each year. These include fundraising walks and runs, "tailgate parties" at athletic events, Christmas tree sales, 4th of July Celebration, Oktoberfest, Fleet Week, and the proposed 34<sup>th</sup> America's Cup events (subject to pending environmental review). Some events can generate public participation of **15,000** or more people during the period of the event. Large outdoor events of this size typically generate a variety of plastic wastes from the sale of water in single-use bottles, the use of non-compostable plastic food ware, and the distribution of plastic bags to customers for food, merchandise and souvenirs. Along the Port's facilities, the inherent challenges of waste management at a large event are compounded by a windy environment and proximity to the San Francisco Bay.

*Plastics*

Several plastic waste items have significant environmental impacts. Single use plastic bags are difficult to recycle and can contaminate existing recycling and composting streams. These products are easily scattered by the wind and can create significant litter problems on shore and in water. Single-use plastic water bottles are resource intensive to produce, fill and transport, and contribute to waste management challenges at events. Non-food product plastic packaging is also difficult to recycle, may create a significant litter problem and harm the marine environment. The National Oceanic and Atmospheric Administration (NOAA) has recognized burst latex and Mylar balloons as a commonly reported source of marine debris. Balloons drift onto the surface of water and mimic the appearance of jellyfish and other floating organisms that are a natural food source for turtles, fish, dolphins, and shorebirds.

Plastic wastes are of increasing concern in marine environments and are a focus of volunteer and non-profit clean-up activities along the waterfront and bay shoreline. Plastics from litter, stormwater and maritime sources enter the marine environment where they degrade into microscopic bits and damage the ecology of our oceans. They can entangle wildlife and disrupt their internal organs and, when digested by marine life plastics can function as a pathway of exposure to several pollutants such as polychlorinated biphenyls (PCBs), dichlorodiphenyltrichloroethane (DDTs) and polycyclic aromatic hydrocarbons (PAHs). These pollutants can bio-accumulate and bio-magnify in the food chain, eventually making their way into human food sources. There are five ocean gyres, or large bodies of water that contain massive accumulations of degraded plastics around the globe.



## *Food-Related Wastes and Packaging*

Large events produce large volumes of food-related wastes and packaging. San Francisco Special Events Ordinance No. 73-89 requires any applicant seeking permission for the temporary use or occupancy of a public street, a street fair or an athletic event within the City and County that includes the dispensing of beverages or which generates large amounts of other materials to submit a recycling plan to the department issuing the permit for the event or activity. Recycling plans shall include arrangements for collection and disposition of source separated recyclables and/or compostables by a service provider of the event organizer. San Francisco offers one of the most successful and comprehensive large municipal food scrap collection programs in the nation.

Events at the Port of San Francisco attract tourists who may be less familiar with the City's recycling and composting programs than residents and local business owners. In the experience of the Department of the Environment, the best way to manage food waste streams at large events is to require the use of either compostable or durable, reusable food service ware.

Exclusive use of compostable food service ware facilitates source separation and the diversion of organic materials from landfill, mitigates contamination in the City's recycling programs, and streamlines composting and related waste diversion activities during large events. A wide variety of compostable food service ware and bags are available in the marketplace. These are made from renewable resources such as paper, corn starch and sugarcane.

## *Reusable Water Bottles and Refilling Stations*

The City's water delivery system consistently provides among the purest, safest drinking water in the nation from spring snowmelt stored in the Hetch Hetchy Reservoir and flowing down the Tuolumne River. Re-usable water bottles are easy to refill and use of Hetch Hetchy water guarantees a high quality of water for the public. Durable or compostable service ware can be combined with water filling stations to further reduce the need for single-use plastic packaging.

## **Proposed Policy for Zero Waste Events and Activities**

~~Port staff has been working with the San Francisco Department of the Environment to develop a new policy to address the issues associated with waste generated at events at the Port of San Francisco. The purpose of this policy is to~~  
The Port Commission adopts the following measures to address the concerns outlined above and to 1) ensure that food waste streams from large outdoor events can be easily composted, and 2) marine life in the Bay is protected from plastics and litter through elimination or reduction of plastics at these events. ~~Based on these discussions, Port staff propose to implement the following Policy for Zero Waste Events and Activities.~~

1. The provisions of this Policy are mandatory for all events or activities ("Events") on Port property that the Port expects will attract **15,000** or more people aggregated





over the number of days the event is held. Examples of these Events include but are not limited to: exhibitions or presentations of sporting events, tournaments, concerts, musical and theatrical performances and other forms of live entertainment, public ceremonies, fairs, carnivals, markets, shows, fundraising events, races or other public or private exhibitions and activities related thereto. This Policy shall apply to all persons or entities organizing, sponsoring or hosting an Event, including all vendors, subcontractors and agents ("Event Organizers") for an Event. Event Organizers of Events with an expected attendance of less than **15,000** people are strongly encouraged to comply with this Policy.

2. The sale, use and distribution of single-use plastic water bottles are prohibited. The Event Organizer must provide "water filling stations" supplied either by the San Francisco Public Utilities Commission or a vendor approved by the Port's Executive Director or her or his designee for use by individuals with reusable water bottles. **This prohibition applies only to single-use plastic bottles that are used for non-carbonated or flavored water, soda, juice, sports drinks or other similar products.**
3. The sale, use and distribution of single-use disposable plastic bags are prohibited. The Event Organizer must use alternatives to single-use plastic bags such as recyclable paper, compostable plastic (preferably marine degradable) and/or reusable bags as those terms are defined by the City's Plastic Bag Reduction Ordinance.
4. The sale, use and distribution of single-use non-compostable plastic food ware are prohibited. The Event Organizer may only sell, use and distribute food service ware that is either labeled "compostable" and meets American Society for Testing and Materials (ASTM) standards for compostability or that is durable, washable, and reusable.
5. All compostable plastic food service ware must meet ASTM D-6400 standards for compostable plastics, have BPI certification ([www.BPIworld.org](http://www.BPIworld.org)), and be clearly labeled with a color-coded (green) identifying marker, such as a green sticker, stripe or band on all pieces of the product (for example the cup and lid must both be labeled), or other certification standards (such as marine degradability) as may be recommended from time to time by the San Francisco Department of the Environment and approved by the Port Executive Director.
6. The intentional release of balloons on Port property in connection with an Event subject to this Policy is prohibited.
7. Event Organizers are encouraged to minimize packaging and avoid the use of disposable plastic packaging.
8. The Port reserves the right at any time and from time to time to revise this Policy or to make such other and further Rules and Regulations as the Port shall determine are in the best interest of the Port, the San Francisco Bay, and the community, or that comply with City law.



9. For Events that the Port expects will attract ~~15,000~~ or more people in the aggregate, all licenses, leases, or other real property agreements with Event Organizers entered into after the date of adoption of this Policy by the Port Commission ("the adoption date"), and all amendments to licenses, leases, or other real property agreements with Event Organizers made beginning in 2012 shall require the Event Organizer to comply with this Policy. Such Event Organizer's failure to comply with this Policy shall be deemed a material breach of the agreement and the Port may pursue remedies, including liquidated damages and termination of the agreement.
10. The Port Commission may grant a waiver of any of the provisions of this Policy, in its sole discretion, if the provision that is waived is replaced by an action that (i) protects the Port's and Bay's natural habitat, (ii) is compliant with **City** law, and (iii) is in keeping with the environmental spirit of the Port's goals herein.

This Policy for Zero Waste Events and Activities shall apply to all events on Port property with a total expected attendance of ~~15,000~~ or more people aggregated over the number of days the event is held. This Policy for Zero Waste Events and Activities also serves as non-mandatory goals for events with an expected attendance of less than ~~15,000~~ people.



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO  
RESOLUTION NO. 12-11**

- WHEREAS, California Statutes of 1968, Chapter 1333 (the "Burton Act") and San Francisco Charter Section B3.581 empower the San Francisco Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port Commission jurisdiction; and
- WHEREAS, People who live in, work in or visit San Francisco generate 2 million tons of solid waste annually with more than half of these materials recovered through waste prevention, recycling and composting; and
- WHEREAS, The Board of Supervisors adopted Resolution No. 679-02 setting a goal of 75% diversion from landfill by 2010 and promoting the highest and best use of recovered materials and authorizing the Commission on the Environment to adopt a zero waste goal, which it set as 2020; and
- WHEREAS, More than twenty-five events occur annually on Port property, some of which have a public attendance that can exceed 5,000, and which generate significant amounts of plastic waste products; and
- WHEREAS, The Port Commission desires to avoid and mitigate potential negative environmental impacts to Port property, adjacent areas and the marine environment and promote waste reduction and recycling at events by reducing the use of single-use plastic bags and other non-recyclable plastic packaging, eliminating balloon releases, promoting the use of compostable food service ware, and reducing the use of single-use plastic water bottles; and
- WHEREAS, There is a wide variety of compostable food service ware and bags available in the marketplace made from renewable resources such as paper, corn starch and sugarcane; and
- WHEREAS, The City's Planning Department has issued a Categorical Exemption on February 8, 2012; now therefore, be it
- RESOLVED, That the Port Commission adopts the Zero Waste Events Policy attached as Exhibit A to this resolution and directs Port staff to include in all licenses, leases, or other real property agreements pertaining to Events with an expected attendance of 5,000 or more people in aggregate, the provisions of this policy.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 14, 2012.***

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Secretary





**EXHIBIT A  
TO RESOLUTION NO. 12-11**

**PORT OF SAN FRANCISCO  
ZERO WASTE EVENTS AND ACTIVITIES POLICY**

**February 2012**

The Port of San Francisco is proud to host numerous events on Port property each year. These include fundraising walks and runs, "tailgate parties" at athletic events, Christmas tree sales, 4th of July Celebration, Oktoberfest, Fleet Week, and the proposed 34<sup>th</sup> America's Cup events (subject to pending environmental review). Some events can generate public participation of 5,000 or more people during the period of the event. Large outdoor events of this size typically generate a variety of plastic wastes from the sale of water in single-use bottles, the use of non-compostable plastic food ware, and the distribution of plastic bags to customers for food, merchandise and souvenirs. Along the Port's facilities, the inherent challenges of waste management at a large event are compounded by a windy environment and proximity to the San Francisco Bay.

*Plastics*

Several plastic waste items have significant environmental impacts. Single use plastic bags are difficult to recycle and can contaminate existing recycling and composting streams. These products are easily scattered by the wind and can create significant litter problems on shore and in water. Single-use plastic water bottles are resource intensive to produce, fill and transport, and contribute to waste management challenges at events. Non-food product plastic packaging is also difficult to recycle, may create a significant litter problem and harm the marine environment. The National Oceanic and Atmospheric Administration (NOAA) has recognized burst latex and Mylar balloons as a commonly reported source of marine debris. Balloons drift onto the surface of water and mimic the appearance of jellyfish and other floating organisms that are a natural food source for turtles, fish, dolphins, and shorebirds.

Plastic wastes are of increasing concern in marine environments and are a focus of volunteer and non-profit clean-up activities along the waterfront and bay shoreline. Plastics from litter, stormwater and maritime sources enter the marine environment where they degrade into microscopic bits and damage the ecology of our oceans. They can entangle wildlife and disrupt their internal organs and, when digested by marine life plastics can function as a pathway of exposure to several pollutants such as polychlorinated biphenyls (PCBs), dichlorodiphenyltrichloroethane (DDTs) and polycyclic aromatic hydrocarbons (PAHs). These pollutants can bio-accumulate and bio-magnify in the food chain, eventually making their way into human food sources. There are five ocean gyres, or large bodies of water that contain massive accumulations of degraded plastics around the globe.



## *Food-Related Wastes and Packaging*

Large events produce large volumes of food-related wastes and packaging. San Francisco Special Events Ordinance No. 73-89 requires any applicant seeking permission for the temporary use or occupancy of a public street, a street fair or an athletic event within the City and County that includes the dispensing of beverages or which generates large amounts of other materials to submit a recycling plan to the department issuing the permit for the event or activity. Recycling plans shall include arrangements for collection and disposition of source separated recyclables and/or compostables by a service provider of the event organizer. San Francisco offers one of the most successful and comprehensive large municipal food scrap collection programs in the nation.

Events at the Port of San Francisco attract tourists who may be less familiar with the City's recycling and composting programs than residents and local business owners. In the experience of the Department of the Environment, the best way to manage food waste streams at large events is to require the use of either compostable or durable, reusable food service ware.

Exclusive use of compostable food service ware facilitates source separation and the diversion of organic materials from landfill, mitigates contamination in the City's recycling programs, and streamlines composting and related waste diversion activities during large events. A wide variety of compostable food service ware and bags are available in the marketplace. These are made from renewable resources such as paper, corn starch and sugarcane.

## *Reusable Water Bottles and Refilling Stations*

The City's water delivery system consistently provides among the purest, safest drinking water in the nation from spring snowmelt stored in the Hetch Hetchy Reservoir and flowing down the Tuolumne River. Re-usable water bottles are easy to refill and use of Hetch Hetchy water guarantees a high quality of water for the public. Durable or compostable service ware can be combined with water filling stations to further reduce the need for single-use plastic packaging.

The Port Commission adopts the following measures to address the concerns outlined above and to 1) ensure that food waste streams from large outdoor events can be easily composted, and 2) marine life in the Bay is protected from plastics and litter through elimination or reduction of plastics at these events.

1. The provisions of this Policy are mandatory for all events or activities ("Events") on Port property that the Port expects will attract 5,000 or more people aggregated over the number of days the event is held. Examples of these Events include but are not limited to: exhibitions or presentations of sporting events, tournaments, concerts, musical and theatrical performances and other forms of live entertainment, public ceremonies, fairs, carnivals, markets, shows, fundraising events, races or other public or private exhibitions and activities related thereto. This Policy shall apply to all persons or entities organizing, sponsoring or hosting an Event, including all vendors, subcontractors and agents ("Event Organizers") for





an Event. Event Organizers of Events with an expected attendance of less than 5,000 people are strongly encouraged to comply with this Policy.

2. The sale, use and distribution of single-use plastic water bottles are prohibited. The Event Organizer must provide "water filling stations" supplied either by the San Francisco Public Utilities Commission or a vendor approved by the Port's Executive Director or her or his designee for use by individuals with reusable water bottles. This prohibition applies only to single-use plastic bottles that are used for non-carbonated or flavored water, soda, juice, sports drinks or other similar products.
3. The sale, use and distribution of single-use disposable plastic bags are prohibited. The Event Organizer must use alternatives to single-use plastic bags such as recyclable paper, compostable plastic (preferably marine degradable) and/or reusable bags as those terms are defined by the City's Plastic Bag Reduction Ordinance.
4. The sale, use and distribution of single-use non-compostable plastic food ware are prohibited. The Event Organizer may only sell, use and distribute food service ware that is either labeled "compostable" and meets American Society for Testing and Materials (ASTM) standards for compostability or that is durable, washable, and reusable.
5. All compostable plastic food service ware must meet ASTM D-6400 standards for compostable plastics, have BPI certification ([www.BPIworld.org](http://www.BPIworld.org)), and be clearly labeled with a color-coded (green) identifying marker, such as a green sticker, stripe or band on all pieces of the product (for example the cup and lid must both be labeled), or other certification standards (such as marine degradability) as may be recommended from time to time by the San Francisco Department of the Environment and approved by the Port Executive Director.
6. The intentional release of balloons on Port property in connection with an Event subject to this Policy is prohibited.
7. Event Organizers are encouraged to minimize packaging and avoid the use of disposable plastic packaging.
8. The Port reserves the right at any time and from time to time to revise this Policy or to make such other and further Rules and Regulations as the Port shall determine are in the best interest of the Port, the San Francisco Bay, and the community, or that comply with City law.
9. For Events that the Port expects will attract 5,000 or more people in the aggregate, all licenses, leases, or other real property agreements with Event Organizers entered into after the date of adoption of this Policy by the Port Commission ("the adoption date"), and all amendments to licenses, leases, or other real property agreements with Event Organizers made beginning in 2012 shall require the Event Organizer to comply with this Policy. Such Event Organizer's failure to comply with



this Policy shall be deemed a material breach of the agreement and the Port may pursue remedies, including liquidated damages and termination of the agreement.

10. The Port Commission may grant a waiver of any of the provisions of this Policy, in its sole discretion, if the provision that is waived is replaced by an action that (i) protects the Port's and Bay's natural habitat, (ii) is compliant with law, and (iii) is in keeping with the environmental spirit of the Port's goals herein.

This Policy for Zero Waste Events and Activities shall apply to all events on Port property with a total expected attendance of 5,000 or more people aggregated over the number of days the event is held. This Policy for Zero Waste Events and Activities also serves as non-mandatory goals for events with an expected attendance of less than 5,000 people.





## MEMORANDUM

February 9, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer *M Moyer*  
Executive Director

**SUBJECT:** Request approval of amended Lease No. L-15004 with Bauer's Intelligent Transportation, Inc., for a ten year lease of Office, Shed and Yard space at Pier 50, Sheds A & C (Resolution No. 12-12) and endorsement of Executive Director's letter to Bauer's Intelligent Transportation, Inc., dated January 30, 2012, which among other things, commits not to facilitate the Port's exercise of its rights under Section 4.2(a) of the Lease No. L-15004 before July 30, 2015. (Resolution No. 12-13)

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolutions

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### BACKGROUND

On December 16, 2011 the Port Commission approved, by Resolution 11-83, Lease No. L-15004 with Bauer's Intelligent Transportation Inc. ("Bauer's"), for a ten year lease of Office, Shed and Yard space at Pier 50, Sheds A & C ("Lease"), subject to approval of the Board of Supervisors. The Port then presented the Lease to the Board of Supervisors for its approval.

Subsequent to the approval by the Port Commission and prior to approval by the Board of Supervisors, Port staff, working with the Office of Economic & Workforce Development, agreed to make one revision to the Lease. The revision resulted in narrowing the scope of Bauer's indemnification of the Port to the leased premises only. After the additional public notice period to take public comment on this change on January 31, 2012, the Board of Supervisors approved the revised Lease.

**THIS PRINT COVERS CALENDAR ITEM NO. 8G**





In addition to the agreed upon lease revision of the indemnity, Bauer's continued to seek assurances that the Lease would not be terminated in order to develop a new project at Pier 50. In order to address this concern, the Port's Executive Director sent Bauer's a letter, acknowledged by the Director of the Office of Economic and Workforce Development, describing the public process and time required to approve a new project for Pier 50 and, given such practical needs and the fact that Bauer's is now relocating in concert with the Cruise Terminal and America's Cup projects, committing not to seek to terminate the Bauer's Lease for a new project prior to July 30, 2015. The letter also provides that, if Port requires Bauer's to relocate to another Port location (as opposed to a Lease termination as discussed above) and Bauer's is not amenable to such relocation, the Executive Director would pursue a mutual termination of the Lease.

Bauer's has asked for the Port Commission's endorsement of the January 30, 2012 letter. Port staff believes that the Commission's endorsement of the description of the process for new projects and manner in which the termination and relocation provisions will be implemented is within its discretion to manage and implement the Port's leases and new projects, including determining the relative potential merits and liabilities arising therefrom. A copy of the letter is attached hereto.

## **RECOMMENDATION**

Port staff recommends the Port Commission adopt the attached Resolution No. 12-12, approving Lease No. L-15004 with Bauer's Intelligent Transportation Inc. as revised, which is on file with the Port Commission Secretary.

Port staff recommends the Port Commission adopt the attached Resolution No. 12-13 endorsing the Executive Director's January 30, 2012 letter to Bauer's.

Prepared by: Jay Edwards, Senior Property Manager

For: Susan Reynolds, Deputy Director, Real Estate



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-12**

- WHEREAS, Charter Section B3.581 grants to the Port Commission the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within the Port jurisdiction; and
- WHEREAS, On December 16, 2011, the Port Commission approved Resolution Nos. 11-75, 11-76, 11-77, 11-78, 11-81 and 11-83, which adopted CEQA findings, including a Statement of Overriding Considerations and a Mitigation Monitoring and Reporting Program (MMRP) for the James R. Herman Cruise Terminal Project, various contracts associated with approving implementation of the Cruise Terminal Project and Northeast Wharf Plaza Tenant Relocation Plan and Lease No. L-15004 with Bauer's Intelligent Transportation, Inc.; and
- WHEREAS, On December 19, 2011, and January 4, 2012, two separate appeals of the Final EIR were filed with the Clerk of the Board of Supervisors; and
- WHEREAS, On January 24, 2012, the Board of Supervisors upheld the certification of the Final EIR in its Motion M12-011; and
- WHEREAS, On January 31, 2012, the Board of Supervisors approved Lease No. L-15004 with Bauer's Intelligent Transportation, Inc. (the "Lease") by Resolution No. 26-12 which contained the revision to the indemnity provision described in the memorandum to the Port Commission, dated February 9, 2012, on approval of the Lease; and
- WHEREAS, The Lease is on file with the Secretary of the Port Commission; now, therefore, be it
- RESOLVED, That the Port Commission authorizes the Executive Director of the Port (the "Executive Director") or her designee to execute the Lease in a form approved by the City Attorney and in substantially the form of the lease on file with the Secretary of the Port Commission, and be it further





RESOLVED, That the Port Commission authorizes the Executive Director to enter into any additions, amendments or other modifications to the Lease that the Executive Director, in consultation with the City Attorney, determines are in the best interests of the Port, do not materially increase the obligations or liabilities of the City or Port, and are necessary or advisable to complete the transactions which the Lease contemplates and effectuate the purpose and intent of this Resolution, such determination to be exclusively evidenced by the execution and delivery by the Executive Director of the Lease.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 14, 2012.***

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Secretary



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-13**

- WHEREAS, Charter Section B3.581 grants to the Port Commission the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within the Port jurisdiction; and
- WHEREAS, On January 30, 2012 the Executive Director of the Port and the Director of the Office of Economic & Workforce Development signed the letter described in the memorandum to the Port Commission, dated February 9, 2012, on approval of Lease No. L-15004 with Bauer's Intelligent Transportation, Inc.; and
- WHEREAS A copy of the letter is attached to this Resolution as Exhibit A (the "Letter"); and
- WHEREAS, On January 31, 2012 Bauer's Intelligent Transportation Inc., executed Lease No. L-15004; now, therefore, be it
- RESOLVED, That the Port Commission endorses the Letter.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 14, 2012.***

\_\_\_\_\_  
Secretary





January 30, 2012

Mr. Gary Bauer  
President & Chief Executive Officer  
Bauer's Intelligent Transportation, Inc.  
Pier 27  
San Francisco, CA 94111

RE: Lease No. 15004

Dear Mr. Bauer,

Please accept this letter in concert with Lease No. L-15004 ("Lease") by and between the City and County of San Francisco Port Commission ("Port") and Bauer's Intelligent Transportation, Inc. ("Bauer") for premises at Pier 50 as more fully described in said lease.

In order to facilitate the move to Pier 50 and in deference to Bauer's status as an important Port tenant, the Port granted several special concessions to Bauer. For example, the Port specifically crafted the Lease terms to provide Bauer an opportunity to offset a substantial portion of its relocation expenses and facility improvements through rent abatement and monthly rent credits in the amount of \$871,000, all during the initial eighteen months of the Lease term. Further, the monthly rent was significantly reduced below the Port Commission's approved parameter rent schedule during the initial years of the Lease to financially assist Bauer's transition to larger and operationally more suitable premises. Additionally, the Port deferred approximately \$150,000 in security deposits until the 2<sup>nd</sup> and 5<sup>th</sup> years of the lease. Given the agreed-to lease structure, it will take the full ten year term for the Port to recoup the significant upfront offsets to Bauer's rent. A greater financial benefit is realized by the Port in the later years of the Lease creating an alignment of mutual interests between our two organizations.

With respect to Lease Section 4.2(a) regarding Termination Rights, in the event of a Port program or project, please be advised that the Port has not made a recommendation to the Port Commission to undertake any new program or project at Pier 50. If, and when, the Port staff present a proposal to the Port Commission for a program or project at Pier 50, the Port will do so in a very public format and in accordance with the Guidelines of the Port's Waterfront Land Use Plan as described below.

**Guidelines for Port Program or Project** The Waterfront Land Use Plan was initially adopted by the Port Commission in 1997, defining acceptable uses, policies and land use information applicable to all properties under the Port Commission's jurisdiction. To enable waterfront revitalization, the Port works closely with the San Francisco Planning Commission and Board of Supervisors, the San Francisco Bay Conservation and Development Commission (BCDC), and the State Lands Commission to align the various land use plans and policies held by each entity. Port projects must comply not only with the Waterfront Land Use Plan, but also adopted plans of the Planning Commission and BCDC, and undergo public trust review by the State Lands Commission.

The process for implementing the Port's Waterfront Land Use Plan is an incremental one. Of the Port's 39 piers, 11 piers have been rehabilitated to date and the entire rehabilitation plan is anticipated to take decades to complete. As such, the Port has adopted an approach of maintaining interim uses at non-rehabilitated locations until such time as a rehabilitation project (also called a development project) is





ready for implementation. In order to facilitate such interim uses in compliance with the Waterfront Land Use Plan, the Port Commission reserves the Port's rights to recapture its property when rehabilitation is ready. As you know, the Port's standard form lease contains language that acknowledges that when a rehabilitation project is ready for development, the interim tenant will be asked to vacate the property. That is exactly the circumstances occurring now at Pier 27 for the Port's long-planned cruise ship terminal project. Upon the adoption of the Environmental Impact Report, the tenants will be formally asked to vacate although, as you know, the Port has been working with our tenants to advise them of this occurrence for more than 2 years now.

As the Port is a public agency, accountable to other public agencies, all of the Port's planning efforts, entitlement efforts, financing efforts and ultimately, construction efforts, are discussed publicly as they occur. These efforts take years to materialize and become the subject of numerous public hearings at the Port, and other public agencies such as the Board of Supervisors. These discussions are always posted on the Port's website ([www.sfport.com](http://www.sfport.com)) and are frequently published by local media entities as well. Any tenant of the Port housed at a future development site is able to follow all of the activity and participate in the discussions well before any actions are taken by the Port.

With respect specifically to Pier 50, as of the writing hereof, the Port Commission has not begun a process for rehabilitation/development thereof. Any development at Pier 50 would require a public trust strategy acceptable to the State Lands Commission and uses acceptable to the Port Commission and BCDC.

The Waterfront Land Use Plan (Chapter 5) calls for the following Port Commission process, through public meetings, to realize the development opportunities envisioned in the Plan:

1. Port Commission identifies the site to be developed and the proposed development concepts
2. Port's Advisory Group provides consultation and feasibility analysis to refine development concepts
3. Port Commission approves solicitation process
4. Port issues Request for Proposals to identify developer
5. Port Commission selects developer
6. Port undertakes entitlement process, including CEQA environmental review and design review
7. Port Commission approves transaction
8. Board of Supervisors approves transaction

Since the approval of the Waterfront Land Use Plan, two additional review points for public hearings at the Board of Supervisors have been added to the process:

9. Board of Supervisors make a finding of fiscal feasibility prior to the commencement of CEQA review if public funds are included in the project
10. Board of Supervisors review term sheet of development transactions over \$10 million

As you can imagine from reviewing the above list, each of these steps are very public and typically take years to achieve. For example, the Port first identified Sea Wall Lot 337 and Pier 48 as a potential site for rehabilitation/development in 2006. Currently, that project is in the early phase of Step #6 above and the CEQA review process (which usually takes 18-24 months) has not yet commenced. The Port's tenants at Sea Wall lot 337 and Pier 48 have already had knowledge of the proposed project for 5½ years, and it will likely be several more years before the remaining steps are completed and such tenants are given official notice to vacate pursuant to the Port's rights to terminate under their leases.



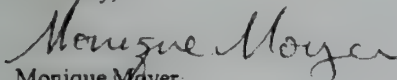
**Port Exercise of Rights for Port Program or Project** · Given the extenuating circumstance that Bauer is relocating to Pier 50 in concert with the Port's Cruise Terminal Project and the 34<sup>th</sup> America's Cup Events at Pier 27, Port staff, with the acknowledgement of the City's Office of Economic and Workforce Development, and the eventual endorsement by the Port Commission (as described below), hereby commits not to recommend facilitation of the Port's exercise of its rights under Lease Section 4.2(a) prior to July 30, 2015. Further, in the event the Port decides to exercise its right to relocate Bauer pursuant to Lease Section 3.2 and the Port and Bauer are unable to agree to reasonable terms for such relocation, Port staff commits to pursuing a mutual termination of Lease No. 15004.

**Exculpation** · With respect to Lease Section 19.4, by separate transmittals, the Port has provided Bauer with the Port's studies of Pier 50 Asbestos Notification Reports and its Substructure and Superstructure Rapid Facility Assessment Reports issued to date and listed on the Attachment hereto. To the best of my actual knowledge, without further investigation, these reports show the extent of the Port's knowledge with respect to asbestos in the sheds at Pier 50 and the condition of the structure of the sheds at Pier 50. The Port invites you, or your representative, to continue to inspect the Premises and all of the facilities at Pier 50 and the Port's records thereof. Should you chose to do so, the Port requests that Bauer complete such inspections as soon as possible and coordinate them through our Real Estate division so as to avoid disruption to other Port tenants and staff.

**Port Commission Endorsement** · Port staff, in concert with the City's Office of Economic and Workforce Development, will bring forward to the Port Commission this letter for its review and recommended endorsement at the Port's Commission's next regularly scheduled meeting.

In closing, I would like to reiterate that the Port appreciates the immense support and cooperation Bauer has provided as the Port and the City move forward with these historic projects at Pier 27. The Port and Bauer have enjoyed a continuous tenancy since 1999 and we look forward to maintaining this long standing relationship.

Sincerely,



Monique Moyer  
Executive Director  
Port of San Francisco

Acknowledged:



Jennifer Entine Matz  
Director  
Office of Economic & Workforce Development

*I hereby certify that this letter was endorsed by the Port Commission at its meeting of \_\_\_\_\_ 2012.*

\_\_\_\_\_  
Port Commission Secretary

Attachment: Pier 50 Asbestos Notification Reports / Substructure and Superstructure Rapid Facility Assessment Reports





Port of San Francisco  
Pier 50

Asbestos Notification Reports and  
Substructure & Superstructure Rapid Facility Assessment Reports  
Provided to Bauer's Intelligent Transportation Inc.  
January 23, 2012

1. Pier 50 Shed A Asbestos Report dated 3/2/06
2. Pier 50 Shed C Asbestos Report dated 4/3/97-7/6/98
3. Pier 50 Shed A Apron Substructure Report dated 2/22/11
4. Pier 50 Shed B Apron Substructure Report dated 2/22/11
5. Pier 50 Shed B Superstructure Report dated 2/1/11
6. Pier 50 Shed C Superstructure Report dated 2/1/11
7. Pier 50 Shed A Superstructure Report dated 1/19/11
8. Pier 50 Shed D Superstructure Report dated 9/22/10
9. Pier 50 Valley Substructure Conditions Survey 12/15/08
10. Pier 50 Shed A Superstructure Report dated 3/12/07
11. Pier 50 Shed B Superstructure Report dated 3/12/07
12. Pier 50 Shed C Superstructure Report dated 3/12/07
13. Pier 50 Shed D Superstructure Report dated 3/12/07
14. Pier 50 Shed B Apron Substructure Report dated 5/15/06
15. Pier 50 Shed A Apron Substructure Report dated 4/7/04
16. Pier 50 Shed A,B,C & D Superstructure Report dated 4/29/03
17. Pier 50 Shed D Superstructure Report dated 4/17/03
18. Pier 50 Substructure Report dated 12/23/02
19. CD containing above referenced Reports, Appendices, Photos, Detailed Analysis and Diagrams of Pier 50





February 10, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer *M. Moyer*  
Executive Director

**SUBJECT:** Fiscal Year (FY) 2012/13 and FY 2013/14 Biennial Operating Budget

**DIRECTOR'S RECOMMENDATION:** Informational Item – No Action Required

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The purpose of this item is to provide an overview of the Port's proposed biennial operating budget to allow for Port Commission and public feedback. The Proposed Fiscal Year (FY) 2012/13 and FY 2013/14 Biennial Operating Budget is attached for Port Commission review. Approval of this budget is scheduled for the next Port Commission meeting on February 28, 2012.

Following Port Commission approval, staff will submit the budget to Mayor Edwin Lee's Budget Office for review and modification prior to submission of the Mayor's Budget to the Board of Supervisors by the first of May 2012. The Board will hold hearings on the Port budget in May or early June and give final consideration on or about July 31, 2012. Throughout the process, Port staff is instrumental in addressing questions and resolving issues to ensure that the Port's concerns and interests are heard and addressed.

### City Budget Outlook

The Mayor's Budget Office projects General Fund shortfalls of \$262.7 million in FY 2012/13 and \$375.3 million in FY 2013/14.<sup>1</sup> These projections are based on current operations and staffing levels and show escalating expenditures (\$282.5 million; \$480.3 million) offset by growth in sources (\$19.8 million; \$105.0 million) in each fiscal year. The greatest impact to the City's expenditures is employee salary and benefit costs, with \$112.3 million and \$205.1 million growth in FY 2012/13 and FY 2013/14. Notably, the General Fund sources reflect considerable growth in General Tax Revenue (\$178.1 million; \$295.1 million) that is unfortunately offset by the loss of available Fund Balance

<sup>1</sup> The deficits for FY 2012/13 and FY 2013/14 are 54% and 35% less, respectively, than the \$575.6 million shortfall addressed in the worst recent budget year of FY 2009/10.



that was included in the FY 2011/12 budget (-\$112.3 million; -\$205.1 million). This outcome is representative of why the City is striving for more budget stability by reducing the use of one-time sources.

In order to address the shortfalls, Mayor Lee directed General Fund departments to submit ongoing savings solutions equal to 5% of their General Fund support for each fiscal year. Departments were also directed to submit contingency savings of 2.5% that could be implemented for either year. Finally, in addition to other savings solutions, Mayor Lee directed General Fund departments to identify positions that can be eliminated to reduce Citywide General Fund Full Time Equivalents (FTEs) by 1% each year.

As an enterprise department that does not rely on General Fund support, the Port is not required to comply with the Mayor's Budget Instructions related to budget reductions. However, as a member of the City family it is important to be cognizant of the changes required of General Fund departments. While staff strove to identify areas for workorder savings within our budget to offset the Port's own growing expenses in areas such as employee salary and fringe benefits and capital needs, there is no impact on General Fund workorders. The Proposed budget continues to utilize the support of other City departments that provide a variety of services including: advancing capital projects, ensuring public safety, and implementing the parking meter program. Additionally, the budget includes one proposal to transfer an existing Planner III position from the Planning Department, which will contribute to that department's efforts to reduce General Fund FTEs.

### **Comparison of Budgets**

Last year the Port Commission approved the FY 2011/12 and FY 2012/13 Biennial Operating Budget. While this will be the third year that the Port has prepared a two year budget, since the City is not yet on a fixed two year cycle Port staff prepared an updated FY 2012/13 and a new FY 2013/14 budget. Changes outlined in this document for the Proposed FY 2012/13 budget are relative to the FY 2012/13 approved budget in the City's Annual Appropriations Ordinance (AAO), so that there is a clear reference to the Port Commission's prior decisions. The Proposed FY 2013/14 budget is then compared to the Proposed FY 2012/13 budget, so that the incremental change year-to-year is clear.

### **Two Year Budget Process**

Unlike the past two fiscal years, this FY 2012/13 and FY 2013/14 biennial budget will truly adhere to a fixed two-year cycle, such that the subsequent budget submission and adoption will be for FY 2014-15 and FY 2015-16. Port staff has found the biennial budget process to be both valuable and challenging due to its very nature of forcing us to plan ahead; however, over the next two years the Port will have the added task of sticking to our plan. Fortunately the City will provide the opportunity for departments to submit needed modifications to the FY 2013/14 budget in the form of a supplemental





appropriation in February 2013.<sup>2</sup> Policymakers will review incremental changes, which is much less in depth than a typical budget review like this year, and focus more on long term planning as departments update their Five Year Financial Plans. Port staff will seek the Port Commission's approval for adjustments to the budget prior to submitting changes to the Mayor and Board of Supervisors and intends to schedule Port Commission review at the same time as the update on the Five Year Financial Plan.

### **Budgeting to Actuals for Future Capital Investments**

Through the Five Year Financial Plan of FY 2011/12 through FY 2015/16,<sup>3</sup> Port staff identified a trend of growing operating expenses that outpace revenues, leading to an operating deficit and declining capital investments beginning in FY 2013/14. In an effort to shift this trend, Port staff sought to more accurately estimate expenditure needs and revenues within the biennial budget. Specifically, due in part to the economic challenges of recent years, the Port has historically realized annual surpluses from under spending and generating revenues above budget. While those funds would then fall to Fund Balance at year end to support the Port's Capital Budget, this did not allow the Port Commission to utilize all sources to plan for and prioritize capital needs. In contrast this proposed budget keeps expenditures low and captures trends of growing revenue, as identified by revenue surpluses amounting to \$7.0 million in FY 2010/11 and \$5.3 million projected for FY 2011/12.<sup>4</sup>

As a result of the budget adjustments applied to this biennial budget, for the first time staff was able to designate surplus revenues to future capital investments that will be applied to the Capital Budget. Reaching a surplus to designate towards future capital required staff to examine tradeoffs between the operating and capital budgets. For example, staff included a \$2.0 million annual project in the Proposed operating budget that will cover potential operating expenditures related to the 34th America's Cup (America's Cup), including possible tenant litigation expenses. While those funds could be used towards capital needs, staff recognized the potential risks that face the Port's operating budget as a result of the America's Cup event.

In an effort to institutionalize annual savings for future capital spending and plan for and address growing deferred maintenance, staff will propose a policy to annually designate a percentage of operating surplus to the Port's 10-Year Capital Plan. Staff will bring this policy to the Port Commission to consider on February 28, 2012. With the Port Commission's support, this policy will correct the trends of a declining repair and replacement capital budget projection through a requirement to contain operating expenses.

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<sup>2</sup> The threshold for modifications to the second year of the biennial operating or capital budget is greater than five percent of the difference between the projected and the adopted budget expenditures or revenues.

<sup>3</sup> The City's Five Year Financial Plan of FY 2011/12 through FY 2015/16 was adopted by the Board of Supervisors on June 7, 2011 and an update was provided to the Port Commission on July 12, 2011. A copy of the Plan is available on the Mayor's Office website at <http://sfmayor.org/index.aspx?page=478>.

<sup>4</sup> As described in more detail below, under the header "Revenue", these trends are most clearly reflected in commercial/industrial rents, parking and cruise revenues.



## BUDGET OVERVIEW

The Proposed FY 2012/13 budget is \$96.6 million, which is an \$8.5 million (9.7%) increase over the FY 2012/13 approved budget.<sup>5</sup> This includes \$71.9 million for the Operating Budget, a \$2.9 million (4.2%) increase, and \$14.8 million for the Capital Budget, which is a \$5.8 million (65.0%) increase. The Proposed FY 2013/14 budget is \$98.2 million, which is a \$1.7 million (1.7%) increase from the Proposed FY 2012/13 budget. This includes \$72.1 million for the Operating Budget, a \$0.2 million (0.3%) increase, and \$16.0 million for the Capital Budget, a \$1.2 million (8.2%) increase. In both years the budget also supports the 15% operating reserve requirement that was implemented by the Port Commission in February 2008. Notably, the Capital Budget now includes the designation of surplus operating revenues to future capital, with funding of \$2.9 million in FY 2012/13 and \$5.5 million in FY 2013/14. The Port is able to afford the increases to the budget as a result of additional sources of funds that are detailed below.

**Table 1: Summary of Total Port Sources and Uses**

	Budget 2011/12	Approved 2012/13	Proposed 2012/13	Change from Approved 2012/13		Proposed 2013/14	Change from Proposed 2012/13	
				Amount	Percent		Amount	Percent
<b>Sources</b>								
Estimated Fund Balance	\$18,558,550	\$18,000,000	\$21,475,982	\$3,475,982	19.3%	\$21,009,812	(\$466,170)	-2.2%
Operating Revenue	68,943,254	69,493,752	74,533,264	5,039,512	7.3%	76,659,494	2,126,230	2.9%
Transbay Payment	550,000	550,000	550,000	-	0.0%	550,000	-	0.0%
Capital Project Defunding	3,114,870	-	-	-	0.0%	-	-	0.0%
<b>Total Sources</b>	<b>\$91,166,674</b>	<b>\$88,043,752</b>	<b>\$96,559,246</b>	<b>\$ 8,515,493</b>	<b>9.7%</b>	<b>\$98,219,306</b>	<b>\$ 1,660,060</b>	<b>1.7%</b>
<b>Uses</b>								
Operating Expense	\$62,710,261	\$65,224,596	\$65,860,879	\$ 636,283	1.0%	\$67,580,232	\$ 1,719,353	2.6%
Annual Projects	3,602,812	3,784,272	6,036,905	2,252,633	59.5%	4,500,747	(1,536,159)	-25.4%
<i>Operating Budget, Subtotal</i>	<i>66,313,073</i>	<i>69,008,868</i>	<i>71,897,784</i>	<i>2,888,916</i>	<i>4.2%</i>	<i>72,080,979</i>	<i>183,195</i>	<i>0.3%</i>
Operating Reserve*	9,433,484	10,078,431	9,879,132	(199,300)	-2.0%	10,137,035	257,903	2.6%
Capital Appropriations	15,420,117	8,956,453	11,851,650	2,895,197	32.3%	10,500,000	(1,351,650)	-11.4%
Designated, Capital Plan	-	-	2,930,680	2,930,680	0.0%	5,501,292	2,570,612	87.7%
<i>Capital Budget, Subtotal</i>	<i>15,420,117</i>	<i>8,956,453</i>	<i>14,782,330</i>	<i>5,825,877</i>	<i>65.0%</i>	<i>16,001,292</i>	<i>1,218,962</i>	<i>8.2%</i>
<b>Total Uses</b>	<b>\$91,166,674</b>	<b>\$88,043,752</b>	<b>\$96,559,246</b>	<b>\$ 8,515,493</b>	<b>9.7%</b>	<b>\$98,219,306</b>	<b>\$ 1,660,060</b>	<b>1.7%</b>
* 15 percent of Operating Expense								

\* 15 percent of Operating Expense

## SOURCES

Compared to the FY 2012/13 approved budget, available sources improved by a significant \$8.5 million (9.7%) in FY 2012/13 and increased by an additional \$1.7 million (1.7%) in FY 2013/14. The two drivers to this change are in Fund Balance and Operating Revenue.

<sup>5</sup> The FY 2012/13 was adopted as part of the biennial budget by the Port Commission at its February 17, 2011 meeting and by the Board of Supervisors on July 26, 2011.





## Fund Balance

The Port's Fund Balance is used to fund the 15% operating reserve and capital projects. Due to budgeting conservatively relative to actual outcomes in revenue and expenditures, the Port accumulated \$3.5 million (19.3%) more Fund Balance than what was included in the approved FY 2012/13 budget. Specifically, in FY 2010/11 the Port had a surplus of \$6.0 million in expenditures and \$7.0 million in revenues that contributed a total of \$13.0 million to Fund Balance for FY 2012/13. In FY 2013/14 Fund Balance will remain relatively stable due in part to the \$2.9 million designation of surplus operating revenues to future capital that is included in the Proposed FY 2012/13 budget. Additionally, through the completion of the City's Six Month Report for FY 2011/12, staff projects a \$10.2 million year-end surplus that includes \$5.5 million in revenues and \$4.7 million in expenditure savings.<sup>6</sup> Identification of these funds could not come at a better time, given the ongoing demands on the Capital Budget.

## Revenue

The proposed \$74.5 million FY 2012/13 revenue budget reflects a \$5.0 million (7.3%) increase and the proposed \$76.7 million FY 2013/14 budget reflects a \$2.1 million (2.9%) increase over the prior budget. These increases, while significant, reflect the efforts on the part of Port staff to accurately capture projected improvements in revenues resulting from a strengthening economy.

**Table 2: Summary of Port Operating Revenues**

	Budget 2011/12	Approved 2012/13	Proposed 2012/13	Change from Approved 2012/13		Proposed 2013/14	Change from Proposed 2012/13	
				Amount	Percent		Amount	Percent
Commercial/Industrial	\$ 40,130,760	\$ 41,092,258	\$ 43,519,000	\$ 2,426,742	5.9%	\$ 44,482,000	\$ 963,000	2.2%
Parking	13,556,000	13,169,000	14,659,000	1,490,000	11.3%	15,200,000	541,000	3.7%
Cruise	2,011,000	1,751,000	2,671,800	920,800	52.6%	3,162,000	490,200	18.3%
Ship Repair	975,000	980,000	1,000,000	20,000	2.0%	1,200,000	200,000	20.0%
Other Marine	1,415,000	1,423,000	1,576,800	153,800	10.8%	1,607,000	30,200	1.9%
Cargo	4,589,000	4,694,500	4,845,020	150,520	3.2%	4,795,200	(49,820)	-1.0%
Special Events	134,000	135,000	188,000	53,000	39.3%	47,000	(141,000)	-75.0%
Harbor Services	2,070,000	2,120,000	1,944,750	(175,250)	-8.3%	1,992,300	47,550	2.4%
Misc Services (RE)	137,000	138,000	164,000	26,000	18.8%	168,000	4,000	2.4%
Fishing	2,067,000	2,095,000	2,068,900	(26,100)	-1.2%	2,110,000	41,100	2.0%
Interest on Investments	650,000	812,500	812,500	-	0.0%	812,500	-	0.0%
Permits	500,000	500,000	500,000	-	0.0%	500,000	-	0.0%
Developer Fees	425,000	300,000	300,000	-	0.0%	300,000	-	0.0%
Misc Receipts	228,194	228,194	228,194	-	0.0%	228,194	-	0.0%
Misc Repairs (Maint.)	30,000	30,000	30,000	-	0.0%	30,000	-	0.0%
Penalties & Svc. Charges	19,300	19,300	19,300	-	0.0%	19,300	-	0.0%
Facility Damage	6,000	6,000	6,000	-	0.0%	6,000	-	0.0%
<b>Total Revenues</b>	<b>\$ 68,943,254</b>	<b>\$ 69,493,752</b>	<b>\$ 74,533,264</b>	<b>\$ 5,039,512</b>	<b>7.3%</b>	<b>\$ 76,659,494</b>	<b>\$ 2,126,230</b>	<b>2.9%</b>

<sup>6</sup> The Six Month Report is published by the Controller's Office and provides expenditure and revenue projections for the remainder of the fiscal year that are useful for identifying potential problem areas in the current year as well as trends that may be applied to the next biennial budget.



The key trends behind this revenue growth in FY 2012/13 and FY 2013/14 include:

Commercial/Industrial rents are derived from rent and percentage rent from leasing office, retail, warehouse and industrial property to non-maritime industry tenants. Additionally, from FY 2011/12 through 2013/14, the budget includes the payment in lieu of rent revenue from the City, under the terms of a Memorandum of Understanding (MOU) approved by the Board of Supervisors, to reimburse the Port for anticipated rent revenue lost due to the America's Cup.

In FY 2012/13 Commercial/Industrial rent is expected to increase by \$2.4 million (5.9%) due primarily to a \$1.8 million (12.7%) increase in percentage rents resulting from positive economic trends that are being felt along the Waterfront and throughout San Francisco. For example, after the approved FY 2012/13 budget was completed, FY 2010/11 actuals for all Commercial/Industrial rents came in \$1.1 million (2.8%) stronger than anticipated. This increase will occur in keeping with the MOU with the City, which allows the Port to earn up to 3% inflation in percentage rents and increases built into current leases without reducing the City's payment in lieu of rent to the Port.

In FY 2013/14 these revenues are projected to increase by an additional \$1.0 million (2.2%). While the Port will see a \$1.2 million (36.2%) decrease in the City's payment in lieu of rent, as the Port receives properties back to its rent roles after conclusion of the America's Cup, rent and percentage rents are anticipated to improve by \$2.2 million (5.5%) in large part due to expiring rent credits for two key tenants and leasing the newly developed Southern Waterfront Backlands as lay-down space.

Parking revenue is generated from street parking meters, monthly parking stalls, the rental of parking lot space to management operators, and parking ticket fines. In FY 2012/13 parking revenue is projected to increase by \$1.5 million (11.3%) including \$0.7 million (24.6%) for meters and \$0.7 million (49.3%) for fines. Meter revenue is anticipated to increase based on the average monthly revenue since October of 2010, projected revenue from the installation of 142 new parking meters along Terry Francois Boulevard in the Southern Waterfront and 1% inflation. Additionally, fine revenues are improving due to observed FY 2011/12 revenue trends and increased fine revenues expected as the result of expanded meter operations and enforcement in the Southern Waterfront.

In FY 2013/14 these revenues are projected to increase by an additional \$0.5 million (3.7%) largely due to 2.5% assumed inflation from current revenue trends. However, there is additional revenue projected for: (a) meters from the installation of parking meters along Illinois Street in the Southern Waterfront, (b) parking rent that will increase along with the anticipated opening of the Exploratorium by the beginning of FY 2013/14 and (c) the return of America's Cup locations for the highest and best interim use prior to the commencement of development.

Cruise revenue is generated from passenger cruise vessel operations, including dockage and wharfage fees that are charged to cruise ships for berthing at Port facilities as well as the loading and unloading of passengers. Cruise revenue also





reflects Shoreside Power Electricity Reimbursement, which is collected from cruise lines to offset charges for electricity consumption when ships are connected to the Port's shoreside power facility, resulting in no net cost or revenue to the Port. However, due to relocation of shoreside power facilities required as part of the America's Cup, no shoreside power reimbursement revenue or expenditures are anticipated in FY2012/13 and FY 2013/14.

Notably, Cruise revenues are projected to increase by \$0.9 million (52.6%) in FY 2012/13 and an additional \$0.5 million (18.3%) in FY 2013/14 due to increased cruise call bookings for the 2012 and 2013 cruise seasons. FY 2012/13 wharfage and dockage revenues assume collections for 63 calls and 200,000 passengers compared to 57 calls and 139,000 passengers in FY 2010/11 actuals, which reflects 44.0% growth in passenger volume and directly drives the projected additional revenue. In FY 2013/14 wharfage and dockage are projected to increase to 64 vessel calls and 240,000 passengers, reflecting an additional 20.0% increase in passenger volume.

Staff views these increases as clear signs of economic recovery as well as growing demand for San Francisco as a cruise destination. Additionally, cruise ships are simply getting larger, allowing for more passenger volume per cruise call. Each year the City of San Francisco generates approximately \$900,000 in tax revenue as a result of cruise calls; the increase in visits should contribute to the City's as well as the Port's improved economic outlooks.

Ship Repair revenue is generated from BAE Systems ship repair operations at Pier 70. While revenue is relatively flat in FY 2012/13, in FY 2013/14 revenue will increase by \$0.2 million (20.0%) due primarily to growth in percentage rent from BAE.

Other Marine revenue is composed of ferries, boat works, marinas, ceremonial and idle ship berthing, and miscellaneous marine-related tenants. These revenues are projected to increase by \$0.2 million (10.8%) in FY 2012/13 and remain relatively flat in FY 2013/14 due to the execution of two new leases in 2011.

Cargo revenue is derived from cargo shipping operations and related rents including dockage fees, wharfage fees, crane rental fees and rent from leasing property to tenants. These revenues are projected to increase \$0.2 million (3.2%) in FY 2012/13 and then decline by less than \$0.1 million (1.0%) in FY 2013/14. These estimates are based on (a) increased activity at the San Francisco Bay Railroad and (b) increased wharfage and dockage at Piers 92 and 94 for aggregate/sand, based on an upturn in demand for building materials. In FY 2013/14 these estimates are offset by uncertainty related to future dockage of the *U.S. Tripoli* and *Matsonia*, two ships that typically lay-berth at Port facilities.

Special Events revenue is derived from short term rental of Port facilities for uses including commercial or public events such as conferences and trade shows. While the FY 2012/13 budget remains relatively flat, in FY 2013/14 the budget is projected to decline by more than \$0.1 million (75.0%) due to the America's Cup, which is anticipated to require the rescheduling and relocation of some annual events.





Harbor Services include tugboat operators, bar pilots and other ship service providers. Unlike other revenue categories, in FY 2012/13 Harbor Services are projected to decrease by \$0.2 million (8.3%) and recover marginally in FY 2013/14 by less than \$0.1 million (2.4%). These changes reflect FY 2010/11 actual revenues, which were below budget due to a lease that was terminated early, offset by 2.5% inflation growth in FY 2013/14.

## **EXPENDITURES**

Overall, the Proposed FY 2012/13 budget is \$96.6 million, which is an \$8.5 million (9.7%) increase over the approved FY 2012/13 budget. The Proposed FY 2013/14 budget is \$98.2 million, which is a \$1.7 million (1.7%) increase. Both fiscal years include funding for Capital and Operating expenditures as well as the 15% operating reserve requirement that was implemented by the Port Commission in 2008.

### **Capital Budget**

The Proposed FY 2012/13 Capital Budget is \$14.8 million, a \$5.8 million (65.0%) increase and includes \$2.9 million of surplus operating revenues that are designated to capital expenditures in FY 2013/14. In FY 2013/14 the Capital Budget increases by \$1.2 million (8.2%) to a total of \$16.0 million that includes \$5.5 million designated to capital expenditures in the FY 2014/15 budget. As previously discussed, the effort to identify surplus operating revenues is a priority that was identified by Port staff to avoid a decline in capital expenditures. The details of the Capital Budget are described in the Capital Budget staff report.

### **Operating Expenditures**

Compared to the FY 2012/13 approved budget, the Proposed FY 2012/13 expenditure budget of \$71.9 million is a \$2.9 million (4.2%) increase over the FY 2012/13 approved budget. Aside from Annual Projects, which includes a \$2.0 million project for America's Cup operational expenses, staff was able to keep the Proposed FY 2012/13 expenditure budget relatively flat compared to the FY 2012/13 approved expenditure budget with \$0.9 million (1%) growth in areas that either generate additional revenue or address critical operational needs.

The Proposed FY 2013/14 budget of \$72.1 million is a \$0.2 million (0.3%) increase from the Proposed FY 2012/13 budget. This includes a reduction to Annual Projects of \$1.5 million (25.4%) that is offset by growing salary and fringe benefit expenditures (\$1.3 million), workorders (\$0.3 million) and Other Current Expenses (\$0.1 million).



**Table 3: Summary of Port Operating Expenditures**

	Budget 2011/12	Approved 2012/13	Proposed 2012/13	Change from Approved 2012/13		Proposed 2013/14	Change from Proposed 2012/13	
				Amount	Percent		Amount	Percent
Salaries & Benefits	\$ 30,509,095	\$ 32,537,908	\$ 33,246,928	\$ 709,020	2.2%	\$ 34,779,525	\$ 1,532,597	4.6%
City-wide Overhead	-	-	-	-	0.0%	-	-	0.0%
Other Current Expenses	10,686,554	10,537,042	10,656,546	119,504	1.1%	10,776,924	120,378	1.1%
Materials and Supplies	1,297,468	1,304,740	1,374,166	69,426	5.3%	1,428,598	54,432	4.0%
Capital Outlay (Equipment)	493,898	339,384	560,880	221,496	65.3%	544,756	(16,124)	-2.9%
Annual Projects	3,602,812	3,784,272	6,036,905	2,252,633	59.5%	4,500,747	(1,536,159)	-25.4%
Debt Service	3,850,937	4,672,445	4,577,637	(94,808)	-2.0%	4,516,268	(61,369)	-1.3%
Interdept. Workorders:	16,039,477	16,000,245	16,214,452	214,207	1.3%	16,522,610	308,158	1.9%
MTA Meter Collections	835,000	835,000	1,247,000	412,000	49.3%	1,274,000	27,000	2.2%
MTA Traffic Enforcement	663,739	707,317	849,800	142,483	20.1%	856,800	7,000	0.8%
Police Security	476,332	487,748	509,000	21,252	4.4%	630,900	121,900	23.9%
Insurance & Risk	2,145,204	2,145,204	2,145,204	-	0.0%	2,145,204	-	0.0%
City Attorney Services	2,859,022	2,859,022	2,859,022	-	0.0%	2,859,022	-	0.0%
Fire Protection	3,148,199	3,253,230	3,266,659	13,429	0.4%	3,332,093	65,434	2.0%
Workers Compensation	1,049,189	1,049,189	945,000	(104,189)	-9.9%	990,000	45,000	4.8%
PUC Utilities	1,720,175	1,517,927	1,267,101	(250,826)	-16.5%	1,309,185	42,084	3.3%
All other Departments	3,142,617	3,145,608	3,125,666	(19,942)	-0.6%	3,125,406	(260)	0.0%
Interdept. Recoveries	(167,168)	(167,168)	(60,000)	107,168	-64.1%	(60,000)	-	0.0%
<b>Total Expenditures</b>	<b>\$ 66,313,073</b>	<b>\$ 69,008,868</b>	<b>\$ 72,607,514</b>	<b>\$ 3,598,646</b>	<b>5.2%</b>	<b>\$ 73,009,428</b>	<b>\$ 401,913</b>	<b>0.6%</b>

The specific trends behind the expenditure changes in FY 2012/13 and FY 2013/14 are as follows:

Salaries and Fringe Benefits<sup>7</sup> for Port employees remained flat in the Proposed 2012/13 budget, but includes \$0.7 million in new salaries and fringe expenses related to the staffing proposals detailed below, offset by \$0.7 million in savings resulting from the passage of the pension reform measure, Proposition C.<sup>8</sup> In FY 2013/14 salaries and benefit costs increase by \$1.3 million (4.0%) as a result of an additional \$0.2 million from staffing proposals outlined below and a \$1.1 million increase in benefit expenses, including \$0.8 million for retirement contributions, \$0.2 million for health services and \$0.1 million for dependent and dental coverage.

The San Francisco Retirement Board recently ruled to reduce the required employee contribution from 7.75% to 7.5% and increase the City contribution for a period of time until the retirement system is brought back to its pre-economic downturn funding levels. As a result, this savings were reduced by approximately \$0.1 million in FY 2012/13 and \$0.5 million in FY 2013/14.

A noteworthy change that the Port should be prepared for is the outcome of labor negotiations that are currently underway with all major labor groups in the City. The

<sup>7</sup> These funding levels may change as a result of pending staffing decisions. Staff will update the Port Commission on the final position requests at the February 28, 2012 Port Commission meeting.

<sup>8</sup> Proposition C increased retirement contributions by workers and rose the minimum retirement age for some labor groups. Citywide, this measure is expected to save \$1.3 billion over the next decade.





Proposed FY 2012/13 budget currently assumes higher salary expenditures as a result of the expiration of 4.62% labor concessions at the end of FY 2011/12.<sup>9</sup> Assuming that new agreements will be reached, the Port should expect to see salary and/or fringe savings that will be implemented in Mayor Lee's submitted citywide budget.

The Port's current Full Time Equivalent (FTE) count for FY 2012/13 is 243.42 FTE. The proposals below increase that FTE count by 6.0 FTE over the two fiscal years, including 5.0 FTE in FY 2012/13 and an additional 1.0 FTE in FY 2013/14, for a new total of 249.42 FTEs. The details below provide type of change, job classification and title, FTE adjustment, salary change<sup>10</sup> by fiscal year, division and description for each position change.

#### *New Positions*

<b>5291 Planner III</b>	1.0 FTE	\$99,944 FY12/13	\$99,859 FY13/14
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(Planning and Development) Create a new Planner III position with community planning and urban design experience to meet new near-term planning work requirements for BCDC SAP amendments for the Cruise Terminal project and America's Cup and help relieve urban design review workload.

<b>1244 Senior Personnel Analyst</b>	1.0 FTE	\$99,944 FY12/13	\$100,328 FY13/14
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(Finance and Administration) This Limited Term position will manage labor issues within the Maintenance Division, building employee morale and relations and ensuring compliance with labor agreements.

<b>7514 General Laborer</b>	1.0 FTE	\$59,306 FY12/13	\$59,534 FY13/14
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(Maintenance) This position is necessary to cover expanded work load with the addition of the new Fisherman's Wharf Promenade, Brannan Street Wharf and the 2013 America's Cup.

#### *Transfer of Function*

<b>Workorder to City Planning</b>	NA	-\$99,476 FY12/13	-\$99,859 FY13/14
<b><u>5291 Planner III</u></b>	<u>1.0 FTE</u>	<u>\$99,476 FY12/13</u>	<u>\$99,859 FY13/14</u>
<b>Net Change</b>	<b>1.0 FTE</b>	<b>\$0 FY12/13</b>	<b>\$0 FY13/14</b>

(Planning and Development) For years the Port has paid a workorder to the City Planning Department that covered the salary and fringe expenses of 1.0 FTE Planner III. Port staff now recommends transferring this Planner III position to the Port in FY 2012/13 and reducing the workorder by an equal amount.

<sup>9</sup> Actual contract costs depend on negotiated agreements.

<sup>10</sup> The total cost of each position includes mandatory fringe benefits, which on average account for approximately 40% of salary expenses.



## Substitutions

<b>5291 Planner III</b>	-1.0 FTE	-\$0 FY12/13	-\$99,859 FY13/14
<b><u>5293 Planner IV</u></b>	<u>1.0 FTE</u>	<u>\$0 FY12/13</u>	<u>\$118,468 FY13/14</u>
<b>Net Change</b>	<b>0.0 FTE</b>	<b>\$0 FY12/13</b>	<b>-\$18,609 FY13/14</b>

(Planning and Development) After transferring an existing Planner III from the Planning Department to the Port in FY 2012/13 (see transfer request), in exchange for reducing the existing workorder that funds the position, staff recommends substituting the position up to a Planner IV in FY 2013/14 in order to provide more parity with Port urban design functions. This proposal is currently undergoing a classification review.

<b>6138 Industrial Hygienist</b>	-1.0 FTE	-\$111,228 FY12/13	-\$111,656 FY13/14
<b><u>6139 Sr. Industrial Hygienist</u></b>	<u>1.0 FTE</u>	<u>\$122,642 FY12/13</u>	<u>\$123,114 FY13/14</u>
<b>Net Change</b>	<b>0.0 FTE</b>	<b>\$11,414 FY12/13</b>	<b>\$11,458 FY13/14</b>

(Maintenance) The role of the certified Industrial Hygienist within the Health and Safety program has expanded beyond the regular duties of the junior level, such as sampling and evaluation of hazardous materials, and has increased duties reflective of a senior position. Examples of the higher level responsibilities include management of: environmental and regulatory compliance issues for the Maintenance Division; Port-wide hazardous waste program; annual HazWopper and oil spill response planning; oil spill response and reporting; and review of building permits and construction, demolition and hazardous materials handling plans.

<b>9330 Pile Worker</b>	-1.0 FTE	-\$86,502 FY12/13	-\$86,835 FY13/14
<b><u>9229 Sr. Pile Driver Apprentice</u></b>	<u>1.0 FTE</u>	<u>\$77,852 FY12/13</u>	<u>\$78,152 FY13/14</u>
<b>Net Change</b>	<b>0.0 FTE</b>	<b>-\$8,650 FY12/13</b>	<b>-\$8,684 FY13/14</b>

(Maintenance) In FY 2010/11 the Port added a new Pile Worker position to the budget with the intent of filling it with an apprentice. At the time the City did not have apprentice classifications, so it was necessary to budget a regular classification. The City now has these apprentice classifications in place and staff recommends reclassifying the position to achieve consistency and also capture salary and fringe savings.

## Substitutions from Project to Operating Funds

Each of the following positions is currently budgeted under the Port's Continuing Projects Fund (5P-AAA-ACP) due to prior project funding that supported them. These positions no longer have 100% support from projects and now serve primarily operating functions that warrant reassigning them to the Operating Fund (5P-AAA-AAA).

<b>5504 Project Manager II</b>	1.0 FTE	\$135,980 FY12/13	\$136,503 FY13/14
<b><u>Budgeted Salary Savings</u></b>	<u>-0.5 FTE</u>	<u>-\$67,990 FY12/13</u>	<u>\$68,252 FY13/14</u>
<b>Net Change</b>	<b>0.5 FTE</b>	<b>\$67,990 FY12/13</b>	<b>\$68,252 FY13/14</b>

(Executive) This position supports the Homeland Security section of the Executive Division. Grant funding that previously supported the position has now expired, however the position is still critical for providing analysis and support of the Homeland Security initiatives within the department including oversight of security services, Police workorders and implementation of the grant-funded Security Camera and Access System. Staff will continue to seek grant funds to support the position, allowing the Port to offset the expense with assumed salary savings.





<b>5502 Project Manager I</b>	1.0 FTE	\$0 FY12/13	\$117,946 FY13/14
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(Executive) This position supports the Homeland Security section of the Executive Division. Grant funding that previously supported the position will expire in FY 2013/14, however the position is still critical for providing analysis and support of the Homeland Security initiatives within the department.

<b>5299 Planner IV</b>	1.0 FTE	\$118,014 FY12/13	\$118,468 FY13/14
<b><u>Budgeted Salary Savings</u></b>	<u>-0.5 FTE</u>	<u>-\$59,007 FY12/13</u>	<u>-\$59,234 FY13/14</u>
<b>Net Change</b>	<b>0.5 FTE</b>	<b>\$59,007 FY12/13</b>	<b>\$59,234 FY13/14</b>

This position was previously solely assigned to capital projects, but now divides its time on operational support. Staff recommends moving the position to the operating budget but assume 0.5 FTE salary savings to reflect that half of the position's time will be charged to capital projects.

#### *Reassignments*

<b>1842 Management Assistant</b>	-0.5 FTE	Finance & Administration Division
<b><u>1842 Management Assistant</u></b>	<u>0.5 FTE</u>	<u>Executive Division</u>
<b>Net Change</b>	<b>0.0 FTE</b>	<b>NA</b>

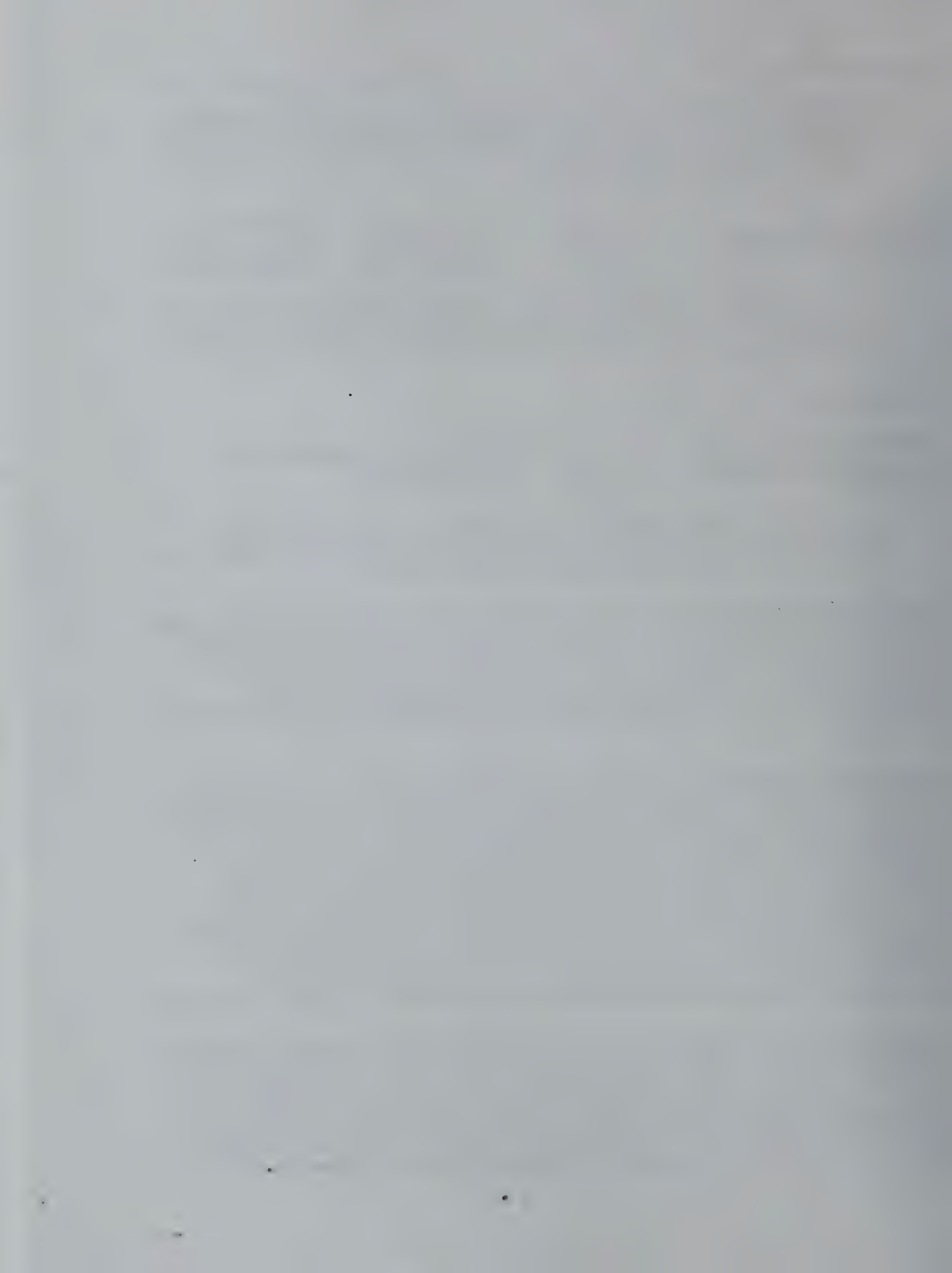
(Executive) This position supports the Communications section of the Executive Division, but is currently budgeted under the Finance and Administration Division. This change will realign the budget with actual use of funds and staff.

Other Current Expenses increased by \$0.1 million (1.1%) in FY 2012/13 and by another \$0.1 million (1.2%) in FY 2013/14. Most Port divisions identified savings in this area based upon historical expenditure trends. Alternatively, the Information Services section of the Finance and Administration Division identified new expenditure requirements including ongoing maintenance costs for existing Information Technology (IT) systems.

Capital Outlay (Equipment) increased \$0.2 million (65.3%) in FY 2012/13. Specific requests from divisions included new vehicles in the Finance & Administration Division (2 sedans) and Maintenance Division (one truck) in accordance with the Port's Fleet Management Plan. Additionally, the Maintenance Division requested one Street Sweeper and the Information Services section of the Finance and Administration Division requested equipment for ongoing maintenance of Information Technology infrastructure. The budget remains flat in FY 2013/14, but includes requests for new vehicles in the Finance & Administration Division (two sedans) and Maintenance Division (three trucks) in accordance with the Port's Fleet Management Plan. Additionally, the Maintenance Division requested replacement of two pressure washers.

Annual Projects is the most noteworthy area of growth, with an increase of \$2.3 million (59.5%) in FY 2012/13. This change is primarily from the introduction of a \$2.0 million project that will cover potential operating expenditures related to the America's Cup including possible tenant litigation expenses resulting from relocation of tenants from venue sites, the creation of five temporary parklets along the waterfront as required by BCDC, and environmental monitoring of development along the waterfront. While





those funds could be used towards capital expenditures, staff recognized the potential risks that face the Port's operating budget as a result of the America's Cup event. Other key projects that received funding increases are the Pier 80 Leaking Underground Storage Tank (LUST) project (\$0.1 million) and eMerge (\$0.2 million). While the FY 2012/13 approved budget did not include funding, Real Estate staff identified a new need for the Division's Pier 80 LUST project. Funding in FY 2011/12 is being used to excavate contaminated soil at the former storage tanks site, whereas funding in FY 2012/13 is now required to drill monitoring wells and provide for annual monitoring services and funding in FY 2013/14 is required to provide annual monitoring services. Project eMerge, which received funding in FY 2010/11 and FY 2011/12 requires additional funding for an additional 1053 Senior IS Business Analyst to support the project in both FY 2012/13 and FY 2013/14.

In FY 2013/14, Annual Projects decrease by a significant \$1.5 million (25.4%), primarily as a result of decreasing the America's Cup Project by \$1.5 million (73%) to \$0.5 million by eliminating the tenant litigation funding and other one-time expenses anticipated to occur in FY 2012/13.

Workorders, including a Revenue Transfer, increased by \$0.2 million (1.3%) in FY 2012/13 and \$0.3 million (1.9%) in FY 2013/14. The notable changes include:

- In FY 2012/13 the MTA workorder for meter collections increased by \$0.4 million (49.3%) while funding remains relatively flat in FY 2013/14. The increase will support new meters on Terry Francois Boulevard, the initiation of pay-by-phone capability at Port meters, installation of new meters onto Illinois Street and support monitoring of approximately 500 existing parking sensors. The FY 2013/14 budget will support the ongoing operating expenses for all meters and parking sensor monitoring. Notably, the expansion of meters is anticipated to result in additional meter revenue that will offset the cost of installation and operations over time.
- The Port also increased its workorder payments to MTA for traffic enforcement by \$0.1 million (20.1%) in FY 2012/13 while the budget remains relatively flat in FY 2013/14. The increase will allow for additional parking enforcement shifts, commensurate with the expansion of parking meters on Terry Francois Boulevard and Illinois Street. Such expanded enforcement has historically resulted in an increase in fine revenues that are larger than the increase in the cost of enforcement. An increase of less than \$0.1 million (0.8%) in FY 2013/14 is due to increased special event related traffic enforcement anticipated during the America's Cup.
- Workers Compensation is projected to decline by \$0.1 million in FY 2012/13 and remain relatively flat in FY 2013/14 based upon current trends with claims.
- The PUC workorder was reduced by \$0.3 million in FY 2012/13 and will remain relatively low in FY 2013/14 due to the decommissioning of shoreside power for cruise ships at Pier 27 while the Cruise Terminal project is underway. This expense



is a pass-through to cruise lines, so this savings is offset by a like reduction to Cruise revenues.

- While the workorder to the Police Department for security services remains relatively flat in FY 2012/13, funding increased by \$0.1 million (23.9%) in FY 2013/14. Whereas some growth is due to the increased demand for police support on the higher volume of cruise days, the majority of growth is related to steady demand for additional police support all along the Waterfront. Particularly, growing cases of vandalism at properties have led to additional unplanned events and undercover operations where armed support is required.

Interdepartmental Recoveries reduced by \$0.1 million (64.1%) in FY 2012/13 and remain constant in FY 2013/14. While this change comes at a cost to the Port, it is due to a review of actual recoveries for maintenance work, which have historically come in much lower than budgeted.

## CONCLUSION

The Port's proposed FY 2012/13 and FY 2013/14 Biennial Operating Budget reflects an \$8.5 million (9.7%) increase in the first year and a \$1.7 million (1.7%) increase in the second. The budgetary growth is due to an effort on the part of staff to institute budget discipline that identified sources of funds, including new Fund Balance and Operating Revenues that were not previously accounted for in the budget. These funds were then used to address three key priorities: 1) protecting the Port against risks associated with the 34<sup>th</sup> America's Cup, 2) investing in critical capital needs and 3) designating surplus operating revenues for capital investments identified in the 10-Year Capital Plan.

Comments, input and feedback from the Port Commission and the public are welcomed and appreciated. Port staff will continue to fine-tune these line items and return to the Port Commission for final review and approval of this biennial budget at the February 28, 2012 meeting.

Prepared by:

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Finance and Administration

For:

Elaine Forbes, Deputy Director  
Finance and Administration





**PORT OF SAN FRANCISCO  
REVENUE AND EXPENSE SUMMARY  
FISCAL YEARS 2012/13 & 2013/14**

	Budget 10/11	Actual 10/11	Budget 11/12	Approved 12/13	Proposed 12/13	Change from Base 12/13		Proposed 13/14	Change from 12/13 Proposed	
						Amount	Percent		Amount	Percent
<b><u>Sources</u></b>										
Estimated Fund Balance	\$19,194,235	\$19,194,235	\$18,558,550	\$18,000,000	\$21,475,982	\$3,475,982	19.3%	\$21,009,812	(\$466,170)	-2.2%
Revenue	66,637,300	73,596,605	68,943,254	69,493,752	74,533,264	5,039,512	7.3%	76,659,494	2,126,230	2.9%
Transbay Environmental Payment	0	0	550,000	550,000	550,000	\$0	0.0%	550,000	-	0.0%
Capital Project Defunding	0	0	3,114,870	0	0	0	0.0%	0	0	0.0%
<b><u>Total Sources</u></b>	<b>\$ 85,831,535</b>	<b>\$ 92,790,840</b>	<b>\$ 91,166,674</b>	<b>\$ 88,043,752</b>	<b>\$ 96,559,246</b>	<b>\$ 8,515,493</b>	<b>9.7%</b>	<b>\$ 98,219,306</b>	<b>\$ 1,660,060</b>	<b>1.7%</b>
<b><u>Uses</u></b>										
Operating Expense	\$ 61,319,998	\$ 56,970,277	\$ 62,710,261	\$ 65,224,596	\$ 65,860,879	\$ 636,283	1.0%	\$ 67,580,232	\$ 1,719,353	2.6%
Annual Projects	4,718,746	2,587,075	3,602,812	3,784,272	6,036,905	2,252,633	59.5%	4,500,747	(1,536,159)	-25.4%
<i>Operating Budget, Subtotal</i>	<i>66,038,744</i>	<i>59,557,352</i>	<i>66,313,073</i>	<i>69,008,868</i>	<i>71,897,784</i>	<i>2,888,916</i>	<i>4.2%</i>	<i>72,080,979</i>	<i>183,195</i>	<i>0.3%</i>
Unappropriated Operating Reserve*	8,954,335	8,954,335	9,433,484	10,078,431	9,879,132	(199,300)	-2.0%	10,137,035	257,903	2.6%
Capital Project Appropriations	10,838,456	10,838,456	15,420,117	8,956,453	11,851,650	2,895,197	32.3%	10,500,000	(1,351,650)	-11.4%
Designated to Future Capital	0	0	0	0	2,930,680	2,930,680	0.0%	5,501,292	2,570,612	87.7%
<i>Capital Budget, Subtotal</i>	<i>10,838,456</i>	<i>10,838,456</i>	<i>15,420,117</i>	<i>8,956,453</i>	<i>14,782,330</i>	<i>5,825,877</i>	<i>65.0%</i>	<i>16,001,292</i>	<i>1,218,962</i>	<i>8.2%</i>
<b><u>Total Uses</u></b>	<b>\$ 85,831,535</b>	<b>\$ 79,350,143</b>	<b>\$ 91,166,674</b>	<b>\$ 88,043,752</b>	<b>\$ 96,559,246</b>	<b>\$ 8,515,493</b>	<b>9.7%</b>	<b>\$ 98,219,306</b>	<b>\$ 1,660,060</b>	<b>1.7%</b>
* Unappropriated Operating Reserve as a Percent of Operating Expense	15%	16%	15%	15%	15%			15%		



**REVENUE BY INDUSTRY**  
**FISCAL YEARS 2012/2013 & 2013/14**

	Budget 10/11	Actual 10/11	Budget 11/12	Approved 12/13	Proposed 12/13	Change from Approved 12/13		Proposed 2013/14	Change from Proposed 12/13		
						Amount	Percent		Amount	Percent	
MARITIME											
Cargo											
Dockage	\$ 645,000	\$ 955,503	\$ 635,000	\$ 657,500	\$ 629,200	\$ (28,300)	-4.3%	\$ 472,010	\$ (157,190)	-25.0%	
Wharfage	550,000	397,850	490,000	540,000	585,820	45,820	8.5%	609,190	23,370	4.0%	
Crane Rental	15,000	4,525	10,000	11,000	10,000	(1,000)	-9.1%	10,000	-	0.0%	
Rent	3,285,000	3,823,169	3,454,000	3,486,000	3,620,000	134,000	3.8%	3,704,000	84,000	2.3%	
Miscellaneous	-	13,960	-	-	-	-	0.0%	-	-	0.0%	
Subtotal	\$ 4,495,000	\$ 5,195,007	\$ 4,589,000	\$ 4,694,500	\$ 4,845,020	\$ 150,520	3.2%	\$ 4,795,200	\$ (49,820)	-1.0%	
Ship Repair											
Dockage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	
Rent	\$ 974,000	\$ 974,180	\$ 975,000	\$ 980,000	\$ 1,000,000	\$ 20,000	2.0%	\$ 1,200,000	\$ 200,000	20.0%	
Subtotal	\$ 974,000	\$ 974,180	\$ 975,000	\$ 980,000	\$ 1,000,000	\$ 20,000	2.0%	\$ 1,200,000	\$ 200,000	20.0%	
Harbor Services											
Dockage	\$ 38,000	\$ 39,000	\$ 50,000	\$ 50,000	\$ 15,150	\$ (34,850)	-69.7%	\$ 15,300	\$ 150	1.0%	
Non-Cargo Wharfage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	
Rent	\$ 1,290,000	\$ 1,256,127	\$ 2,020,000	\$ 2,070,000	\$ 1,929,600	\$ (140,400)	-6.8%	\$ 1,977,000	\$ 47,400	2.5%	
Subtotal	\$ 1,328,000	\$ 1,295,127	\$ 2,070,000	\$ 2,120,000	\$ 1,944,750	\$ (175,250)	-8.3%	\$ 1,992,300	\$ 47,550	2.4%	
Cruise											
Dockage	\$ 30,000	\$ 64,356	\$ 50,000	\$ 50,000	\$ 81,000	\$ 31,000	62.0%	\$ 90,000	\$ 9,000	11.1%	
Passenger Wharfage	\$ 1,400,000	\$ 1,370,194	\$ 1,270,000	\$ 1,020,000	\$ 2,410,800	\$ 1,390,800	136.4%	\$ 2,892,000	\$ 481,200	20.0%	
Non-Cargo Wharfage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	
Shoreside Power	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ -	\$ (500,000)	-100.0%	\$ -	\$ -	0.0%	
Rent	\$ 180,000	\$ 183,611	\$ 191,000	\$ 181,000	\$ 180,000	\$ (1,000)	-0.6%	\$ 180,000	\$ -	0.0%	
Subtotal	\$ 1,610,000	\$ 1,618,161	\$ 2,011,000	\$ 1,751,000	\$ 2,671,800	\$ 920,800	52.6%	\$ 3,162,000	\$ 490,200	18.3%	
Fishing											
Dockage	\$ 272,000	\$ 278,182	\$ 272,000	\$ 278,000	\$ 280,000	\$ 2,000	0.7%	\$ 280,000	\$ -	0.0%	
Fish Wharfage	\$ 45,000	\$ 54,640	\$ 45,000	\$ 45,000	\$ 50,000	\$ 5,000	11.1%	\$ 50,000	\$ -	0.0%	
Rent	\$ 1,615,000	\$ 1,811,646	\$ 1,694,667	\$ 1,716,310	\$ 1,738,900	\$ 22,590	1.3%	\$ 1,780,000	\$ 41,100	2.4%	
Payment in lieu of Rent	\$ -	\$ -	\$ 55,333	\$ 55,690	\$ -	\$ (55,690)	-100.0%	\$ -	\$ -	0.0%	
Subtotal	\$ 1,932,000	\$ 2,144,468	\$ 2,067,000	\$ 2,095,000	\$ 2,068,900	\$ (26,100)	-1.2%	\$ 2,110,000	\$ 41,100	2.0%	



**REVENUE BY INDUSTRY**  
**FISCAL YEARS 2012/2013 & 2013/14**

	Budget 10/11	Actual 10/11	Budget 11/12	Approved 12/13	Proposed 12/13	Change from Approved 12/13		Proposed 2013/14		Change from Proposed 12/13	
						Amount	Percent	Amount	Percent	Amount	Percent
<b>Other Marine</b>											
Dockage	\$ 620,000	\$ 655,901	\$ 616,000	\$ 620,000	\$ 620,000	\$ -	0.0%	\$ 620,000	0.0%	\$ -	0.0%
Non-Cargo Wharfage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Rent	\$ 920,000	\$ 910,382	\$ 677,000	\$ 681,000	\$ 816,800	\$ 135,800	19.9%	\$ 837,000	19.9%	\$ 20,200	2.5%
Landing Fees	\$ 125,000	\$ 136,585	\$ 122,000	\$ 122,000	\$ 140,000	\$ 18,000	14.8%	\$ 150,000	14.8%	\$ 10,000	7.1%
Subtotal	\$ 1,665,000	\$ 1,702,868	\$ 1,415,000	\$ 1,423,000	\$ 1,576,800	\$ 153,800	10.8%	\$ 1,607,000	10.8%	\$ 30,200	1.9%
<b>Total Maritime</b>	<b>\$ 12,004,000</b>	<b>\$ 12,929,811</b>	<b>\$ 13,127,000</b>	<b>\$ 13,063,500</b>	<b>\$ 14,107,270</b>	<b>\$ 1,043,770</b>	<b>8.0%</b>	<b>\$ 14,866,500</b>	<b>8.0%</b>	<b>\$ 759,230</b>	<b>5.4%</b>
<b>REAL ESTATE</b>											
<b>Commercial/Industrial</b>											
Rent	\$ 27,864,000	\$ 26,133,944	\$ 23,633,000	\$ 23,646,000	\$ 23,809,000	\$ 163,000	0.7%	\$ 25,788,000	0.7%	\$ 1,979,000	8.3%
Rent from Percentage Leases	\$ 12,750,000	\$ 15,606,965	\$ 14,314,000	\$ 14,457,000	\$ 16,290,000	\$ 1,833,000	12.7%	\$ 16,512,000	12.7%	\$ 222,000	1.4%
Payment in lieu of Rent	\$ -	\$ -	\$ 2,183,760	\$ 2,989,258	\$ 3,420,000	\$ 430,742	14.4%	\$ 2,182,000	14.4%	\$ (1,238,000)	-36.2%
Subtotal	\$ 40,614,000	\$ 41,740,909	\$ 40,130,760	\$ 41,092,258	\$ 43,519,000	\$ 2,426,742	5.9%	\$ 44,482,000	5.9%	\$ 963,000	2.2%
<b>Parking</b>											
Meters	\$ 1,800,000	\$ 3,137,639	\$ 2,958,000	\$ 2,988,000	\$ 3,722,000	\$ 734,000	24.6%	\$ 3,995,000	24.6%	\$ 273,000	7.3%
Stalls	\$ 350,000	\$ 398,587	\$ 377,000	\$ 381,000	\$ 411,000	\$ 30,000	7.9%	\$ 421,000	7.9%	\$ 10,000	2.4%
Rent	\$ 8,514,000	\$ 9,909,168	\$ 8,855,000	\$ 8,420,000	\$ 8,466,000	\$ 46,000	0.5%	\$ 8,672,000	0.5%	\$ 206,000	2.4%
Fines	\$ 1,600,000	\$ 1,485,141	\$ 1,366,000	\$ 1,380,000	\$ 2,060,000	\$ 680,000	49.3%	\$ 2,112,000	49.3%	\$ 52,000	2.5%
Subtotal	\$ 12,264,000	\$ 14,930,535	\$ 13,556,000	\$ 13,169,000	\$ 14,659,000	\$ 1,490,000	11.3%	\$ 15,200,000	11.3%	\$ 541,000	3.7%
<b>Total Real Estate</b>	<b>\$ 52,878,000</b>	<b>\$ 56,671,444</b>	<b>\$ 53,686,760</b>	<b>\$ 54,261,258</b>	<b>\$ 58,178,000</b>	<b>\$ 3,916,742</b>	<b>7.2%</b>	<b>\$ 59,682,000</b>	<b>7.2%</b>	<b>\$ 1,504,000</b>	<b>2.6%</b>
<b>ALL OTHER</b>											
Commercial Power	\$ -	\$ 19,273	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Filming	\$ -	\$ 5,352	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Special Events	\$ 100,000	\$ 195,140	\$ 134,000	\$ 135,000	\$ 188,000	\$ 53,000	39.3%	\$ 47,000	39.3%	\$ (141,000)	-75.0%
Encroachment Permits	\$ -	\$ 92,192	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Miscellaneous Services (RE)	\$ 105,000	\$ 152,260	\$ 137,000	\$ 138,000	\$ 164,000	\$ 26,000	18.8%	\$ 168,000	18.8%	\$ 4,000	2.4%
Facility Damage	\$ 6,000	\$ 2,200	\$ 6,000	\$ 6,000	\$ 6,000	\$ -	0.0%	\$ 6,000	0.0%	\$ -	0.0%





**REVENUE BY INDUSTRY**  
**FISCAL YEARS 2012/2013 & 2013/14**

	Budget 10/11	Actual 10/11	Budget 11/12	Approved 12/13	Proposed 12/13	Change from Approved 12/13		Proposed 2013/14		Change from Proposed 12/13	
						Amount	Percent	Amount	Percent	Amount	Percent
Tenant Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	-	\$ -	0.0%
Miscellaneous Repairs (Maint)	\$ 30,000	\$ 5,553	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	0.0%	\$ 30,000	30.000	\$ -	0.0%
Permits	\$ 366,000	\$ 950,266	\$ 500,000	\$ 500,000	\$ 500,000	\$ -	0.0%	\$ 500,000	500.000	\$ -	0.0%
Miscellaneous	\$ -	\$ 19,695	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	-	\$ -	0.0%
Interest on Investments	\$ 795,000	\$ 734,888	\$ 650,000	\$ 812,500	\$ 812,500	\$ -	0.0%	\$ 812,500	812.500	\$ -	0.0%
Penalties & Svc. Charges	\$ 19,300	\$ 29,958	\$ 19,300	\$ 19,300	\$ 19,300	\$ -	0.0%	\$ 19,300	19.300	\$ -	0.0%
Miscellaneous Receipts	\$ 334,000	\$ 608,391	\$ 228,194	\$ 228,194	\$ 228,194	\$ -	0.0%	\$ 228,194	228.194	\$ -	0.0%
Miscellaneous-Planning	\$ -	\$ 181,242	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	-	\$ -	0.0%
Developer Fees	\$ -	\$ 346,416	\$ 425,000	\$ 300,000	\$ 300,000	\$ -	0.0%	\$ 300,000	300.000	\$ -	0.0%
Miscellaneous-Executive	\$ -	\$ 60,112	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	-	\$ -	0.0%
Other	\$ -	\$ 592,412	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	-	\$ -	0.0%
<b>Total All Other</b>	<b>\$ 1,755,300</b>	<b>\$ 3,995,350</b>	<b>\$ 2,129,494</b>	<b>\$ 2,168,994</b>	<b>\$ 2,247,994</b>	<b>\$ 79,000</b>	<b>3.6%</b>	<b>\$ 2,110,994</b>	<b>\$ 2,110.994</b>	<b>\$ (137,000)</b>	<b>-6.1%</b>
<b>TOTAL PORT</b>	<b>\$ 66,637,300</b>	<b>\$ 73,596,605</b>	<b>\$ 68,943,254</b>	<b>\$ 69,493,752</b>	<b>\$ 74,533,264</b>	<b>\$ 5,039,512</b>	<b>7.3%</b>	<b>\$ 76,659,494</b>	<b>\$ 76,659.494</b>	<b>\$ 2,126,230</b>	<b>2.9%</b>



**DIVISION EXPENSE SUMMARY  
FISCAL YEARS 2010/11 to 2013/14**

	PRIOR YEARS			FY 2012-13			FY 2013-14		
	Budget	Actual	Budget	Approved	Proposed	Change from	Proposed	Change from	
	<u>10/11</u>	<u>10/11</u>	<u>11/12</u>	<u>12/13</u>	<u>12/13</u>	Approved 12/13	<u>13/14</u>	Proposed 12/13	
						Amount	Percent	Amount	Percent
Real Estate	\$ 10,880,398	\$ 8,623,071	\$ 10,653,096	\$ 10,665,371	\$ 11,052,537	\$ 387,166	3.6%	\$ 11,318,966	\$ 266,429 2.4%
Planning & Development	\$ 3,790,920	\$ 3,345,479	\$ 3,260,527	\$ 3,404,412	\$ 3,342,530	\$ (61,882)	-1.8%	\$ 3,410,545	\$ 68,015 2.0%
Maritime	\$ 3,315,781	\$ 3,345,287	\$ 3,941,466	\$ 3,858,341	\$ 3,924,675	\$ 66,334	1.7%	\$ 3,954,533	\$ 29,858 0.8%
Finance and Administration	\$ 20,709,899	\$ 18,815,598	\$ 20,691,850	\$ 22,059,776	\$ 24,543,018	\$ 2,483,242	11.3%	\$ 23,288,860	\$ (1,254,158) -5.1%
Maintenance	\$ 16,271,846	\$ 14,785,587	\$ 16,743,139	\$ 17,506,044	\$ 17,174,070	\$ (331,974)	-1.9%	\$ 17,712,714	\$ 538,644 3.1%
Executive	\$ 5,959,037	\$ 5,117,754	\$ 5,998,699	\$ 6,168,578	\$ 6,146,260	\$ (22,318)	-0.4%	\$ 6,319,557	\$ 173,297 2.8%
Engineering	\$ 5,110,863	\$ 4,865,454	\$ 5,024,296	\$ 5,346,346	\$ 5,004,964	\$ (341,382)	-6.4%	\$ 5,147,356	\$ 142,392 2.8%
Subtotal Division Budgets	\$ 66,038,744	\$ 59,557,352	\$ 66,313,073	\$ 69,008,868	\$ 71,188,054	\$ 2,179,186	3.2%	\$ 71,152,530	\$ (35,524) 0.0%
Position Requests	\$ -	\$ -	\$ -	\$ -	\$ 709,730	\$ 709,730	0.0%	\$ 928,449	\$ 218,719 30.8%
<b>Grand Total</b>	<b>\$ 66,038,744</b>	<b>\$ 59,557,352</b>	<b>\$ 66,313,073</b>	<b>\$ 69,008,868</b>	<b>\$ 71,897,784</b>	<b>\$ 2,888,916</b>	<b>4.2%</b>	<b>\$ 72,080,979</b>	<b>\$ 183,195 0.3%</b>





**PORT EXPENDITURE SCHEDULE  
FISCAL YEARS 2012/13 & 2013/14**

Char	Obj	Subobj	Budget 10/11	Budget 11/12	Approved 12/13	Proposed 12/13	Change from Approved 12/13 Amount	Percent	Budget 13/14	Change from Proposed 12/13 Amount	Percent
<b>Salaries</b>											
001	001	00101	Permanent Salaries	\$18,973,550	\$19,598,798	\$20,664,206	\$21,091,854	\$427,648	\$21,309,510	\$217,656	1.0%
001	005	00501	Temp. Salaries	495,102	588,593	515,560	515,560	0	515,560	0	0.0%
001	009	00901	Premium Pay	288,038	262,503	225,003	225,003	0	225,003	0	0.0%
001	011	01101	Overtime	321,682	252,942	252,942	252,942	0	252,942	0	0.0%
			Subtotal	20,078,372	20,702,836	21,657,711	22,085,359	427,648	22,303,015	217,656	1.0%
013	013	01300	Fringe Benefits	8,749,791	9,806,259	10,880,197	10,451,839	(428,358)	11,548,062	1,096,222	10.5%
			Subtotal Salaries & Fringe	28,828,163	30,509,095	32,537,908	32,537,198	(710)	33,851,077	1,313,879	4.0%
020	020	02000	Indirect Cost Reimbursement	100,191	0	0	0	0	0	0	0.0%
<b>Other Current Expenses</b>											
021	021	02100	Travel - Budget	62,634	77,180	77,490	63,050	(14,440)	65,055	2,005	3.2%
021	022	02200	Training - Budget	98,880	85,850	85,850	65,000	(20,850)	65,000	0	0.0%
021	023	02300	Employee Field Expenses	5,088	6,688	6,688	3,000	(3,688)	3,000	0	0.0%
021	024	02400	Membership Fees	62,725	74,819	74,819	73,721	(1,098)	75,837	2,116	2.9%
021	025	02500	Promotional & Entertain. - Budget	216,175	237,159	280,659	252,159	(28,500)	233,609	(18,550)	-7.4%
021	027	02700	Prof. & Specialized Svcs - Budget	2,432,000	2,739,971	2,589,152	2,665,444	76,292	2,615,539	(49,904)	-1.9%
021	028	02800	Maint Svcs - Bldg & Structures - Budget	1,394,586	1,487,218	1,502,468	1,533,664	31,196	1,588,825	55,161	3.6%
021	029	02900	Maint Svcs - Equipment - Budget	301,485	360,048	351,053	278,273	(72,780)	287,995	9,722	3.5%
021	030	03000	Rents & Leases - Bldgs & Struct - Budget	3,277,000	2,845,000	2,867,000	2,896,309	29,309	2,923,825	27,516	1.0%
021	031	03100	Rents & Leases - Equipment - Budget	135,006	140,306	141,606	126,410	(15,196)	129,812	3,402	2.7%
021	032	03200	Utilities Expenses - Budget	780,000	776,600	796,300	774,550	(21,750)	847,770	73,220	9.5%
021	035	03500	Other Current Expenses - Budget	1,141,212	1,219,735	1,128,927	1,315,386	186,459	1,325,977	10,591	0.8%
021	052	05200	Taxes, Licenses & Permits - Budget	126,030	135,980	135,030	109,580	(25,450)	114,680	5,100	4.7%
021	053	05300	Judgment, Claims & Litigation - Budget	500,000	500,000	500,000	500,000	0	500,000	0	0.0%
			Subtotal	10,532,821	10,686,554	10,537,042	10,656,546	119,504	10,776,924	120,378	1.1%
040	040	04000	Materials & Supplies - Budget	1,476,510	1,297,468	1,304,740	1,374,166	69,426	1,428,598	54,432	4.0%
060	060	06000	Equipment Purchase - Budget	504,955	493,898	339,384	560,880	221,496	544,756	(16,124)	-2.9%



**PORT EXPENDITURE SCHEDULE  
FISCAL YEARS 2012/13 & 2013/14**

Char	Obj	Subobj	Budget 10/11	Budget 11/12	Approved 12/13	Proposed 12/13	Change from Approved 12/13		Change from Proposed 12/13	
							Amount	Percent	Amount	Percent
06F	06F	06F00	4,718,746	3,602,812	3,784,272	6,036,905	2,252,633	59.5%	4,500,747	(1,536,159) -25.4%
070	070	0700	3,075,050	3,850,937	4,672,445	4,577,637	(94,808)	-2.0%	4,516,268	(61,369) -1.3%
<b>Services of Other Departments</b>										
081	081	081AC	22,000	25,000	25,000	28,000	3,000	12.0%	29,400	1,400 5.0%
081	081	081BD	2,754	2,754	2,754	2,754	0	0.0%	2,754	0 0.0%
081	081	081BI	25,000	25,000	25,000	20,000	(5,000)	-20.0%	20,000	0 0.0%
081	081	081EV	18,529	18,529	18,529	18,529	0	0.0%	18,529	0 0.0%
081	081	081CA	129,737	79,737	79,737	49,737	(30,000)	-37.6%	58,737	9,000 18.1%
081	081	081CB	2,127,000	2,145,204	2,145,204	2,145,204	0	0.0%	2,145,204	0 0.0%
081	081	081CI	362,419	400,810	400,810	458,030	57,220	14.3%	444,586	(13,444) -2.9%
081	081	081CP	535,159	167,700	170,000	85,000	(85,000)	-50.0%	85,000	0 0.0%
081	081	081CT	2,759,022	2,859,022	2,859,022	2,859,022	0	0.0%	2,859,022	0 0.0%
081	081	081CW	41,448	44,403	44,403	44,403	0	0.0%	44,403	0 0.0%
081	081	081C3	0	0	0	0	0	0.0%	0	0 0.0%
081	081	081C4	138,809	148,176	148,176	148,176	0	0.0%	148,176	0 0.0%
081	081	081C5	52,538	42,905	42,905	102,905	60,000	139.8%	102,905	0 0.0%
081	081	081ED	145,000	125,000	125,000	125,000	0	0.0%	125,000	0 0.0%
081	081	081ER	17,895	0	0	0	0	0.0%	0	0 0.0%
081	081	081ET	230,032	247,584	247,584	266,675	19,091	7.7%	266,675	0 0.0%
081	081	081FD	3,151,102	3,148,199	3,253,230	3,266,659	13,429	0.4%	3,332,093	65,434 2.0%
081	081	081HE	40,500	44,500	44,500	59,885	15,385	34.6%	62,669	2,784 4.6%
081	081	081HH	55,000	0	0	0	0	0.0%	0	0 0.0%
081	081	081HR	8,283	9,177	9,177	9,177	0	0.0%	9,177	0 0.0%
081	081	081HY	0	0	0	0	0	0.0%	0	0 0.0%
081	081	081HZ	41,599	84,997	84,997	84,997	0	0.0%	84,997	0 0.0%
081	081	081I0	6,377	6,377	6,377	6,377	0	0.0%	6,377	0 0.0%
081	081	081I2	6,188	11,188	11,188	11,188	0	0.0%	11,188	0 0.0%
081	081	081I3	1,052,847	1,049,189	1,049,189	945,000	(104,189)	-9.9%	990,000	45,000 4.8%
081	081	081I4	17,899	17,899	17,899	17,899	0	0.0%	17,899	0 0.0%
081	081	081I7	25,603	25,603	25,603	25,603	0	0.0%	25,603	0 0.0%
081	081	081I8	7,032	7,032	7,032	7,032	0	0.0%	7,032	0 0.0%



**PORT EXPENDITURE SCHEDULE  
FISCAL YEARS 2012/13 & 2013/14**

Char	Obj	Subobj	Budget 10/11	Budget 11/12	Approved 12/13	Proposed 12/13	Change from Approved 12/13		Budget 13/14	Change from Proposed 12/13	
							Amount	Percent		Amount	Percent
081	081	081H9	250,000	216,332	216,332	216,332	0	0.0%	216,332	0	0.0%
081	081	081MY	14,532	14,532	14,532	14,532	0	0.0%	14,532	0	0.0%
081	081	081M2	9,072	9,072	9,072	9,072	0	0.0%	9,072	0	0.0%
081	081	081PA	420,398	420,398	420,398	420,398	0	0.0%	420,398	0	0.0%
081	081	081PF	120,000	120,000	120,000	120,000	0	0.0%	120,000	0	0.0%
081	081	081PG	59,990	59,990	59,990	59,990	0	0.0%	59,990	0	0.0%
081	081	081PL	22,599	22,599	22,599	22,599	0	0.0%	22,599	0	0.0%
081	081	081PM	3,598	3,598	3,598	3,598	0	0.0%	3,598	0	0.0%
081	081	081PR	55,637	56,949	56,640	28,002	(28,638)	-50.6%	28,002	0	0.0%
081	081	081PS	578,349	476,332	487,748	509,000	21,252	4.4%	630,900	121,900	23.9%
081	081	081RE	255,365	136,200	137,200	141,200	4,000	2.9%	141,200	0	0.0%
081	081	081RP	202,000	2,000	2,000	2,000	0	0.0%	2,000	0	0.0%
081	081	081UL	1,844,526	1,720,175	1,517,927	1,267,101	(250,826)	-16.5%	1,309,185	42,084	3.3%
081	081	081UW	2,000	2,000	2,000	2,000	0	0.0%	2,000	0	0.0%
081	081	081SB	43,386	37,076	37,076	37,076	0	0.0%	37,076	0	0.0%
081	081	081PK	845,000	835,000	835,000	1,247,000	412,000	49.3%	1,274,000	27,000	2.2%
081	081	081WG	189,500	39,500	39,500	39,500	0	0.0%	39,500	0	0.0%
081	081	081WB	39,000	39,000	39,000	39,000	0	0.0%	39,000	0	0.0%
081	081	081WC	275,000	275,000	275,000	275,000	0	0.0%	275,000	0	0.0%
081	081	081WE	20,000	20,000	20,000	20,000	0	0.0%	20,000	0	0.0%
081	081	081WM	80,000	80,000	80,000	50,000	(30,000)	-37.5%	50,000	0	0.0%
081	081	081WR	40,000	40,000	40,000	40,000	0	0.0%	40,000	0	0.0%
081	081	081WU	14,000	14,000	14,000	14,000	0	0.0%	14,000	0	0.0%
081	081	081GE	0	0	0	0	0	0.0%	0	0	0.0%
		Subtotal	<u>16,403,724</u>	<u>15,375,738</u>	<u>15,292,928</u>	<u>15,364,652</u>	<u>71,724</u>	<u>0.5%</u>	<u>15,665,810</u>	<u>301,158</u>	<u>2.0%</u>
086	086	08699	(267,001)	(167,168)	(167,168)	(60,000)	107,168	-64.1%	(60,000)	0	0.0%
091	093	0931G	665,585	663,739	707,317	849,800	142,483	20.1%	856,800	7,000	0.8%
		Grand Total	<u>66,038,744</u>	<u>66,313,073</u>	<u>69,008,868</u>	<u>71,897,784</u>	<u>2,888,916</u>	<u>4.2%</u>	<u>72,080,979</u>	<u>183,195</u>	<u>0.3%</u>







## MEMORANDUM

February 9, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer *M Moyer*  
Executive Director

**SUBJECT:** Proposed \$22.4 Million Capital Project Budget Funding for Fiscal Year (FY) 2012/13 and (FY) 2013/14

**DIRECTOR'S RECOMMENDATION:** Informational Only - No Action Required

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Each year the Port Commission adopts a bi-annual Capital Project Budget in conjunction with the bi-annual Operating Budget. The Port changed to a bi-annual Capital and Operating Budget beginning with the FY 2010/11 and FY 2011/12 budgets in accordance with the City Charter. The Capital Project Budget identifies capital needs for which Port staff have requested funding, prioritizes capital projects, identifies funding, and describes the use of the funding. The objectives of the Capital Project Budget are to:

- Provide clear direction for the use of the Port's capital resources,
- Educate the public regarding the financial realities of Port capital requirements, and
- Address questions from public bodies such as the Mayor's Office and the Board of Supervisors regarding the maintenance, and repair of the Port's capital assets.

### Proposed Capital Project Budget

Attached is the Capital Project Budget that Port staff proposes for FY 2012/13 and FY 2013/14. The Capital Project Budget for these two fiscal years is being presented for the Port Commission's review and input. The proposed budget for capital projects for these two fiscal years, as detailed in Exhibit I, totals \$22,351,650, allocated as follows: \$11,851,650 for capital projects in FY 2012/13, and \$10,500,000 for capital

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projects in FY 2013/14. The final Capital Project Budget, incorporating any direction of the Port Commission, for FY 2012/13 and FY 2013/14 will be returned to the Port Commission for approval at its February 28, 2012 meeting.

Over the past several months the Capital Plan Working Group (Working Group), comprised of key Port staff from all Port divisions, reviewed and scored capital project funding requests submitted by the Port's divisions using the scoring criteria developed for the ten-year capital plan (see Exhibit III). The proposed two-year capital budget reflects those capital projects which scored the highest, and for which there was either no or insufficient third party funding available. The proposed list of capital projects and recommended funding levels were submitted to the Port's Executive Director for final approval before submission to the Port Commission for its review and comment.

The Working Group used the following criteria to determine which projects to recommend to the Port Commission for funding: (i) addresses a safety, health, code, or regulatory issue or threat to the environment; (ii) significant reduction in liability to the Port; (iii) promotion of commerce, navigation or fisheries; (iv) attraction of people to the waterfront; v) promotion of natural and cultural resources; and vi) availability of substantial project funding from outside funding sources. Financial criteria related to the payback period and return on investment are also included in the scoring (see also Exhibit III).

#### **Revision to Previously Approved Capital Project Funding for FY 2012/13**

At its February 22, 2011 meeting, the Port Commission approved a \$21.7 million Port capital project budget for FY 2011/12 and FY 2012/13 (resolution no. 11-09). The FY 2012/13 capital project budget was based on \$8,550,000 in estimated available funding for the year as projected by Port staff. After the Port Commission's approval, there were some changes to the capital budget which resulted in a net \$406,453 increase to the FY 2012/13 capital budget which was funded through reductions made by the Board of Supervisors to the Port's FY 2012/13 operating budget submission. The final FY 2012/13 capital budget approved by the Board of Supervisors was presented to the Port Commission as an informational item at its July 12, 2011 meeting. The capital budget includes \$8,956,453 for 16 different capital projects, as detailed in Exhibits I and II.

As part of the recently completed review and prioritization of capital project funding requests, Port finance staff re-estimated the amount of funding available based on the Port's FY 2010/11 year end close, and the Executive Director and Working Group re-examined the capital projects and funding levels approved for FY 2012/13 in light of current Port operations and capital needs.

Since the FY 2012/13 capital budget was last approved by the Port Commission and the Board of Supervisors, the following significant changes have occurred in the Port's capital needs for the upcoming year:

- i) The need for more funding for the disposal of Drydock No. 1 as a result of a recent update to the project cost, which now totals \$6.6 million. As a result, the Port will need to add another \$1 million to the project in order to fully fund the disposal;





- ii) The need for more funding for the Port's Pier 27 Cruise Terminal project. Port staff believes that it is prudent to add an additional \$1,500,000 to the Phase 1 budget to cover extra expenses such as overtime costs that may be incurred by the contractor in order to meet the March 1, 2013 completion date required by the America's Cup Host and Venue Agreement, potentially cover certain construction bid alternate items such as the terminal curtain wall which are more cost effective to construct in Phase 1 of the project as compared to delaying their installation until Phase 2, or to serve as additional project contingency.
- iii) The need to add funds to the Port's waterfront support assets repair and replacement project for the purchase of a new piledriving rig and vibratory hammer for the Port's piledriving crew. The current equipment is obsolete and breaks down frequently causing work disruptions.
- iv) The need for an additional \$300,000 in funding above what was originally budgeted for the Port's utility project to repair the underpier utilities at Wharf J1.
- v) The need for an additional \$300,000 in funding above what was originally budgeted for the Port's ADA project to fund needed ADA upgrades to the Agricultural Building.
- vii) The need for an additional \$298,490 in funding above what was originally budgeted for the Port's leasing capital improvement project to support likely leasing of office space at Pier 50, Seawall Lot 345, office and retail space at Pier 33, and retail space at the former Jelly Restaurant site.

Notably, the above list represents only the most critical funding needs matched to available sources. Port staff submitted many other worthy capital projects totaling \$30.2 million, but funding only allowed for inclusion of the above listed projects. In light of the new funding needs, Port staff is proposing that FY 2012/13 funding levels be reduced for several capital projects, as compared to levels currently approved by the Port Commission and the Board of Supervisors (detailed in Exhibit I). In most cases the reduction represents a delay in project funding. In the case of the Amador Street forced sewer main project, a substantial increase in project costs has resulted in a staff recommendation to put the project on hold until more funding can be secured. In all cases, staff worked closely with the Port's divisions to ensure that the proposed funding delays would not have an adverse impact on the Port's capital program.

### **Proposed Capital Project Budget Funding Sources**

For FY 2012/13, Port finance staff estimates that \$11,851,650 in funding will be available to fund capital projects. This funding consists of \$11,301,650 in currently available funding, plus \$550,000 from an environmental payment from Transbay Cable LLC scheduled to be paid in FY 2012/13 (beginning in FY 2010/11, the company is required to make annual environmental payments of \$550,000 for the next ten years through FY 2019/20).



For FY 2013/14, Port finance staff estimates that \$10,500,000 in funding will be available for capital projects. This funding consists of \$9,950,000 in estimated operating surplus funding plus \$550,000 from the annual Transbay Cable payment.

The sources of funding for Port capital projects for the next two years is shown below:

#### Funding for Capital Projects

<u>Sources</u>	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>Two-Year Total</u>
Operating Funds From Prior			
FYE Close	\$11,301,650	\$9,950,000	\$21,251,650
Transbay Cable payments	<u>550,000</u>	<u>550,000</u>	<u>1,100,000</u>
Total Operating Funding	\$11,851,650	\$10,500,000	\$22,351,650

#### **Proposed Capital Project Budget Expenditures**

The capital project budget expenditures that staff is proposing for FY 2012/13 and FY 2013/14, shown in Exhibits I and II hereto, includes Port funding for: (i) the Port's maintenance dredging program for the next two years; (ii) a capital project to maintain and repair the Port's roofs; and (ii) maintenance and upgrade of the Port's rail track located in the southern waterfront including funding of a local match requirement for a Federal grant for the Quint Street lead track and signal improvement project.

The proposed monies for the rail track maintenance project in FY 2012/13, and the roof repair project in FY 2013/14 represent a partial restoration of the funding taken from these projects in FY 2011/12.

The proposed two-year capital budget also includes funding for an initial phase of a study to develop an infrastructure plan for Pier 70. Additional funding needed to complete the study would be provided in a future capital project budget.

Also included in the proposed capital project budget for FY 2011/12 and FY 2012/13 is additional Port funding for: (i) the Pier 27 cruise terminal project; (ii) the disposal of drydock no 1; (iii) the Port's emergency capital project fund; (iv) a capital project established to make physical improvements to certain Port facilities to make them more accessible to the disabled including curb ramp and sidewalk improvements and ADA upgrades to the Port's Agricultural building; (v) capital projects established to repair the pier structures and utility infrastructure of Port facilities; (vi) a capital project to fund capital improvements needed as part of the leasing process; (vii) a capital project established to repair sewer pumps along the Port's waterfront; (viii) a capital project to repair, upgrade and replace elevators and escalator systems located in various Port facilities; (ix) a capital project established to repair and maintain the Port's vessels and other waterfront support assets; (x) a capital project established to fund open space and alternative energy projects that meet guidelines outlined in the Port's lease agreement with Transbay Cable; and (xi) a capital project established for greening and beautification projects at sites located in the southern waterfront in accordance with the Southern Waterfront Community Benefits and Beautification policy adopted by the Port Commission in November, 2007.





The additional funding proposed for this last project will cover the Port's expected obligations generated by leasing activity projected over the next two years.

The additional funding proposed for the Port's pier structures repair project will be primarily used for repairs to the seawall at Pier 43, the marginal wharf at Pier 33, and the seawall and deck at Wharf J9, and a significant portion of the proposed funding for the utility project will be used for repairs to the underpier utilities at Wharf J1 and Pier 9. The additional funding proposed for the repair and maintenance of the Port's waterfront support assets will be used to purchase a new pile driver and vibratory pile driver extractor attachment for the Port's pile driving crew.

Based on the Port's existing capital project needs and identified funding sources, Port staff submits to the Port Commission for its review, comment, and input the attached proposed Capital Project Budget for FY 2012/13 and FY 2013/14, as described herein.

### **Next Steps**

The Capital Project Budget for FY 2012/13 and FY 2013/14 will return to the Port Commission for adoption at its February 28, 2012 meeting. Following approval by the Port Commission, the two-year Capital Project Budget will be submitted to Mayor Edwin Lee's office and the City's Capital Planning Committee. Following their approvals, the two-year Capital Project Budget will be submitted by Mayor Edwin Lee to the Board of Supervisors for adoption.

Prepared By: Lawrence Brown, Financial Analyst

For: Elaine Forbes, Deputy Director  
Finance and Administration

### ***Exhibits***

- I. Capital Project Proposed Funding for FY 2012/13 and FY 2013/14
- II. Description of Individual Projects Proposed for Funding
- III. Capital Plan Scoring Criteria





**EXHIBIT I**

**Capital Projects  
Proposed Funding for FYs 2012/13 and 2013/14**

	<u>FY 2012/13</u>		<u>FY 2013/14</u>	<u>Proposed</u>
	<u>Previously Approved Funding</u>	<u>Current Proposed Funding</u>	<u>Proposed Funding</u>	<u>Two-Year Funding Total</u>
<b>Projects Funded from Port Operating Fund Balance</b>				
<b>Northeast Waterfront:</b>				
Pier 35 Substructure Repair Project	0	0	1,100,000	1,100,000
Pier 27 Mixed Use Cruise Terminal Proj. – Add'l Funding	1,631,453	1,500,000	0	1,500,000
<b>Ferry Building Area &amp; South Beach:</b>				
Ferry Terminal Float Repairs – Add'l Funding	300,000	0	0	0
<b>Southern Waterfront:</b>				
Pier 70 Infrastructure Study	100,000	100,000	200,000	300,000
Dry Dock #1 Emergency Response and Disposal – Add'l Funding	0	1,000,000	0	1,000,000
Amador Street Forced Sewer Main Project	200,000	0	0	0
Southern Waterfront Greening/Beautification Improvements	0	0	150,000	150,000
Southern Waterfront Open Space Enhancements/Alternative Energy	550,000	550,000	550,000	1,100,000
Pier 80,92,96 Rail Track Maintenance	100,000	400,000	100,000	500,000
Pier 94/96 High Mast Lighting Project	300,000	0	0	0
<b>Portwide Projects:</b>				
Emergency Capital Project Fund	100,000	0	60,000	60,000
Dredge Materials Testing FYs 2012/13 & 2013/14 Programs	700,000	700,000	750,000	1,450,000
Maintenance Dredging FYs 2012/13 & 2013/14 Programs	2,595,340	3,045,500	3,200,000	6,245,500
Port ADA Transition Plan – Add'l Funding	175,000	390,000	100,000	490,000
Pier Structures Repair Project, Phase II – Add'l Funding	1,500,000	1,500,000	1,150,000	2,650,000
Utilities Project – Add'l Funding	204,660	554,660	2,690,000	3,244,660
Roof Repair Project	0	0	350,000	350,000
Waterfront Sewer Pump Project, Phase II – Add'l Funding	100,000	100,000	0	100,000
Leasing Capital Improvement Project - Add'l Funding	100,000	398,490	100,000	498,490
Port Elevator/Escalator Upgrade, Repair, and Replacement Project	300,000	300,000	0	300,000
Port Waterfront Support Assets Repair and Replacement	0	1,313,000	0	1,313,000
<b>Projects Funded From Operating Fund Balance - Total</b>	<b>\$8,956,453</b>	<b>\$11,851,650</b>	<b>\$10,500,000</b>	<b>\$22,351,650</b>
<b>Total Proposed Project Funding</b>		<b>\$11,851,650</b>	<b>\$10,500,000</b>	<b>\$22,351,650</b>



## Exhibit II

### CAPITAL PROJECT BUDGETS (Port Operating Fund Balance)

Project Name	FY 2012/13	FY 2013/14	Description
Pier 35 Substructure Repair Project	\$0	\$1,100,000	<p>This project provides funding for needed repairs to the substructure of Pier 35. Included in the scope of this project is repairing pilings, beams, girders and slab panels. Completing these repairs is needed in order to keep the Pier 35 facility operational over the next 20 years.</p> <p>Funds from this project supplements remaining funds for this project provided by the 2010 Port Revenue bonds. Funding in the amount of \$1,100,000 from the 2010 Revenue Bonds is being reallocated from the Pier 35 substructure repair project to the Pier 27 cruise terminal project through a supplemental appropriation. Consistent with the project schedule, the capital budget funding requested for FY 2013/14 replaces the revenue bond funding removed from the project in the reappropriation process.</p>
Pier 27 Mixed Use Cruise Terminal Proj. – Add'l Funding	\$1,500,000	\$0	<p>This project provides funding for the development and construction of a new, \$92 million state of the art, multi-use cruise terminal and community facility located at Pier 27 on the Embarcadero Street across from Lombard Street. The Port's current primary cruise terminal facility at Pier 35, built in 1914, does not meet the needs of the cruise industry because of its short berths, narrow aprons, limited terminal capacity, minimal passenger pick-up and drop-off areas, and high operating costs.</p> <p>Work has recently begun on phase one of the project, which will include demolition of the existing shed on the site, and the construction of the core and shell of the new cruise terminal building. The approved budget for this phase is \$62.4 million. Under terms of the 34th America's Cup Host and Venue Agreement between the City and the America's Cup Event Authority, construction of the phase one improvements must be substantially complete by March 1, 2013. At that time the Event Authority will have exclusive use of the building for America's Cup events. Upon its return to the Port at the end of the Cup, the Port will complete phase two of the project which consists of completing the interior build-out and other improvements related to the Pier 27 cruise terminal project.</p> <p>A comprehensive review of the project budget by Port staff indicates that allocating an additional \$1,500,000 is prudent in Phase I to cover extra expenses such as overtime costs incurred by the contractor in order to meet the phase one March 1, 2013 construction completion date, for certain bid alternate items, such as the terminal curtain wall which are more cost effective to construct in Phase I of the project, or to serve as additional project contingency.</p>





## Exhibit II

### CAPITAL PROJECT BUDGETS (cont.) (Port Operating Fund Balance)

Project Name	FY 2012/13	FY 2013/14	Description
Pier 70, Infrastructure Study (cont)	\$100,000	\$200,000	<p>Following an extensive public planning process, the Port published its Master Plan for the Pier 70 area in April 2010. The Master Plan balances ship repair activities, new waterfront parks, rehabilitated historic buildings, and new development opportunities over the 69-acre area. Several implementation efforts are underway including working with the ship repair operator, seeking developers for historic buildings, initial park improvements, and a 25 acre development project.</p> <p>This project provides funding for a comprehensive study and design of the infrastructure systems at Pier 70. The infrastructure systems (roadways, water, sewer, electrical and storm water) will all need to be built or rebuilt in order to support a reuse of the site. A study is needed to determine the existing infrastructure, design appropriate systems to support the planned reuse of the site, develop cost estimates, identify infrastructure financing mechanisms, and to develop a model to equitably allocate costs across future users.</p> <p>By developing the infrastructure design and cost estimates itself, rather than relying on potential developers to accomplish these tasks, the Port can expedite the project approvals and reduce uncertainty for these developers, thereby reducing the overall project costs, and improving the Port's expected financial return.</p>
Drydock No. 1 Emergency Response and Disposal	\$1,000,000	\$0	<p>Drydock No. 1, an old obsolete drydock, broke its mooring during a high wind storm on November 7, 2002 and went adrift, finally running aground on Yebra Buena Island. The vessel is currently moored at a berth at Pier 80.</p> <p>To date, \$2.7 million has been spent on i) the emergency response and salvage operations required to recover the drydock and transport it to safe harbor at the Port; ii) mooring charges for storage of the drydock at the BAE San Francisco Drydock facility; and iii) moving the drydock from the San Francisco Drydock facility to Pier 80, and iv) maintaining the drydock in place until it can be disposed.</p> <p>Recently updated cost estimates for the project indicate that additional funding is needed to permanently dispose of the drydock, which is now expected to cost approximately \$6.6 million. Also included in the project scope are RFQ/RFP and related costs, costs for consultants and engineers, construction and contract management, and the purchase of equipment needed to complete the disposal.</p> <p>While the vessel is secured at Pier 80, there remains the possibility that the drydock could break free from its mooring in the future. There is also a risk of the vessel sinking. Final disposition of the drydock would eliminate the Port's liability now associated with this vessel.</p>



## Exhibit II

### CAPITAL PROJECT BUDGETS (cont.) (Port Operating Fund Balance)

<u>Project Name</u>	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>Description</u>
Southern Waterfront Greening/Beautification Improvements	\$0	\$150,000	<p>This project provides funding for greening and beautification projects and related improvements for sites located in the Southern Waterfront.</p> <p>On November 17, 2007 the Port Commission adopted a policy that established a Southern Waterfront Community Benefits and Beautification Fund, and a funding mechanism consisting of a revenue set aside from the collection of rent generated by new leasing in the area.</p> <p>To date, \$530,000 in funding has been provided for this project. \$150,000 is now needed to cover the Port's expected obligation generated by projected leasing activity in FY's 2012/13 &amp; 2013/14. Projects to be funded by this project include: i) a bike and pedestrian improvement pilot project for Cargo Way, ii) public art for the silos at Pier 90; iii) interpretative signage within the Pier 70 project area; and iv) Port tenant and wayfinding signage for Pier 90 – 96. Funding is also provided for other greening and beautification projects for the southern waterfront as needed.</p> <p>The projects and improvements funded by this project will contribute to the quality of life for visitors and residents that live in communities that are adjacent to the Port's property in the Southeast part of San Francisco.</p>
Southern Waterfront Open Space Enhancements and Alternative Energy	\$550,000	\$550,000	<p>This project provides funding for the development of new open spaces and improvements to existing open spaces located within the area of the southern waterfront that is the focus of the Port's Blue-Greenway planning process. Project funds may also be utilized to support alternative energy projects that meet guidelines outlined in the Port's lease agreement with Transbay Cable.</p> <p>Funding provided by the project for FYs 2012/13 &amp; 2013/14 will be used to supplement funds provided by the 2008 Clean and Safe Neighborhoods Park G.O. bond for the design and construction of improvements at Crane Cove park.</p>





## Exhibit II

### CAPITAL PROJECT BUDGETS (cont.) (Port Operating Fund Balance)

Project Name	FY 2012/13	FY 2013/14	Description
Piers 80, 92, 96 Rail Track Maintenance	\$400,000	\$100,000	<p>This project funds the repair and/or replacement of deteriorated railroad track at Piers 80, 92, and 94/96. Funding is also provided for consultant studies, as well as the engineering and construction of additional rail links to these facilities and other rail improvements.</p> <p>Recent studies performed by a railroad consultant indicate that improvements to the rail track system at Pier 80, and 94/96 are needed to improve the versatility and productivity of these facilities. In addition, failure to maintain the Port's rail trackage can ultimately lead to track failure and derailment of locomotive and flat cars.</p> <p>As part of its approval on February 22, 2011 of the FY 2011/12 capital budget, the Port Commission approved defunding \$400,000 from this project with the understanding that funding would be restored at a later date. Port staff recommends restoring these funds in FY 2012/13, and providing \$100,000 in funding for FY 2013/14.</p> <p>Of the total amount to be provided, \$300,000 will be used to meet a 10% local match funding requirement for a Federal grant for the Quint Street Lead track and signal improvement project. This project will improve an approximately one mile-long spur connecting a Caltrain mainline track to the San Francisco Rail Yard on Cargo Way at Pier 94/96. The mainline is under consideration for use as part of the California high-speed rail project, and the current condition of the spur track limits the frequency, weight and length of trains that can use the track, causing delays. The improvements will allow freight trains to operate at higher speeds and clear the mainline more quickly, significantly reducing delays to Caltrain commuter trains and future high-speed rail trains. The improvements will also allow the Port of San Francisco to increase the frequency of trains to the Port and expand its cargo business.</p>
Emergency Capital Project Fund	\$0	\$60,000	<p>This project provides funding for unforeseen capital projects which are of an urgent or emergency nature. Emergency projects are those that: (i) adversely affect health and safety if not done immediately; (ii) are required by law to be completed immediately; or (iii) will have a serious adverse impact on Port assets if not done immediately.</p> <p>Funding is also provided for disaster response and recovery. Port staff estimates that additional funding will be needed in FY 2013/14 to maintain the available appropriated funding in this project at \$500,000; the minimum level considered adequate for this purpose by Port management. Not having sufficient available appropriated funding to address disaster response and recovery, and emergency projects in a timely manner could have a serious negative impact on the Port and its operations.</p>





## Exhibit II

### CAPITAL PROJECT BUDGETS (cont.) (Port Operating Fund Balance)

<u>Project Name</u>	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>Description</u>
Dredge Materials Testing – FYs 2012/13 and 2013/14 Programs	\$700,000	\$750,000	This project will fund the testing of sediments to be dredged for chemical and biological contaminants. This project supports the Port's dredging activities scheduled for FYs 2012/13 and 2013/14.  Environmental regulations require chemical and biological testing of the sediments in any area to be dredged in order to determine the amount (if any) of contaminants in the soil. Results of the testing are used to determine the proper disposal site.
Maintenance Dredging – FYs 2012/13 and 2013/14 Programs	\$3,045,500	\$3,200,000	This project will fund the Port's dredging activities scheduled for FYs 2012/13 and 2013/14. It will fund dredging at Piers 27, 35, 80, and 92, the Islais Creek Channel, and other berths as needed.  Maintenance dredging is necessary for the continued operation of Port maritime facilities. Dredging keeps berths and channels at navigable depths, including sites where the Port has contractual obligations with shipping lines and operators.
Port ADA Transition Plan – Add'l Funding	\$390,000	\$100,000	This project provides funding for physical improvements to the Port's public facilities to make them accessible to the disabled. To date, \$1,986,416 has been appropriated for this project; almost all of which has been committed for specific ADA projects.  Additional funds are now needed for curb ramps and sidewalk improvements throughout the Port and for various ADA upgrades to the Port's Agricultural Building. Funding is also available for other accessibility repairs and improvements as needed.  This project helps the Port meet its goal of making its facilities more accessible to Port tenants and the public.
Pier Structures Repair Project, Phase II - Add'l Funding	\$1,500,000	\$1,150,000	This project funds engineering, permitting, inspection and repair of, or improvements to, the Port's deteriorated pier structures including substructures, superstructures, and marginal wharfs. Funds are also provided for labor and equipment as needed. To date, \$8,687,000 has been appropriated for this project; almost all of which has been committed for pier repair projects.  Additional funds are now needed for repairs to a 40 foot section of the Pier 43 seawall, repairs to the marginal wharf at Pier 33, and repairs to the seawall and deck at Wharf J9. Funding provided by this project will also cover pier-related repairs at other facilities as required.



## Exhibit II

### CAPITAL PROJECT BUDGETS (cont.) (Port Operating Fund Balance)

Project Name	FY 2012/13	FY 2013/14	Description
Pier Structures Repair Project, Phase II - Add'l Funding (cont)	\$1,500,000	\$1,150,000	<p>\$2,000,000 in funding was previously provided for the Wharf J-9 project, but this level of funding was only sufficient to cover the most critical repairs. The additional funding incorporated in the proposed capital budgets for FYs 2012/13 &amp; 2013/14 will allow the Port to complete all of the repairs needed to Wharf J9 seawall and deck.</p> <p>Repairing the Port's pier structures is necessary to ensure: (i) the continued safe operation of the Port's pier superstructures and buildings, (ii) the preservation of lease revenues, and (iii) the extension of the economic life of the Port's pier and marginal wharf assets.</p>
Utilities Project – Add'l Funding	\$554,660	\$2,690,000	<p>This project provides funding for necessary utility repair and capacity related improvements to the utility infrastructure servicing various Port facilities. Utilities include electric power, lighting, telephone, gas, HVAC, electronic security, water, sewer and drainage service. This project also funds fire system certification, and needed repairs and improvements to fire and alarm systems at various facilities. Also included is funding for labor and equipment as needed to facilitate the repairs. Since FY 2003/04, \$3,637,000 has been appropriated for this project; almost all of which has been committed for specific utility projects.</p> <p>Additional funds are now needed for: i) improvements to the electrical service and distribution system at Pier 50, ii) repairs to the electrical distribution system at Hyde Street Harbor, and iii) repairs to the underpier utilities at several Port facilities. Funding provided is also available for utility-related repairs at other facilities as needed.</p> <p>As the result of a significant water leak at Pier 15 that occurred in 2009, the Port is under an order from the Regional Water Quality Control Board to repair and/or replace failing water and sewer utilities under its piers. To begin the process, Port staff is requesting \$2,740,000 of the \$3,244,660 in funding requested for the next two fiscal years be allocated to addressing its underpier utility needs, including repairs to the underpier utilities at Wharf J1, and the replacement of the water and sewer lines at Pier 9.</p>
Roof Repair Project.	\$0	\$350,000	<p>This project provides funding for the (partial and full) replacement of, and repairs to, the roofs and related roofing systems of the Port's buildings and sheds in order to stop water infiltration. Funding provided by this project is also available for repairs to roofing systems at other facilities as needed, as well as for labor and the cost of equipment as needed to facilitate the repairs</p>





## Exhibit II

### CAPITAL PROJECT BUDGETS (cont.) (Port Operating Fund Balance)

<u>Project Name</u>	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>Description</u>
Roof Repair Project. (cont)	\$0	\$350,000	<p>On-going leaks contribute to dry rot of wooden structural components and potential liability claims. Dry rot, in turn, leads to the deterioration of the structural integrity of the affected Port facilities, which over time will require major structural repairs at a much higher cost.</p> <p>As part of its approval on February 22, 2011 of the FY 2011/12 capital budget, the Port Commission approved defunding \$752,714 from this project with the understanding that funding would be restored at a later date. Port staff recommends restoring \$350,000 of these funds in FY 2013/14. Restoring this funding will help ensure that there are sufficient funding in the project to address future roof repair needs</p>
Waterfront Sewer Pump Project, Phase II – Add'l Funding	\$0	\$100,000	<p>This project provides funding for the purchase of electric motors, pump, and controls, and related parts &amp; supplies need to: i) repair sewer pumps currently in use along the Port's waterfront; and ii) build a set of backup sewer pumps.</p> <p>Many of the Port's sewer pumps are over 40 years old and beginning to fail. The Port's maintenance staff is constantly moving operating pumps between pump stations in order to maintain sewer service for our tenants and for restrooms located in public access areas. This project will help to make the Port's sewer system more dependable.</p> <p>\$100,000 was appropriated in FY 2009/10 for this project. An additional \$100,000 in funding is now needed to continue the repair of the Port's pump stations and sewer pumps.</p>
Leasing Capital Improvement Project – Add'l Funding	\$398,490	\$100,000	<p>As part of lease negotiations with Port tenants, or potential tenants, it is sometimes necessary for the Port to make certain improvements to a facility in order to close a lease. This project provides funding for capital improvements needed as part of the leasing process. Improvements financed may include, but are not limited to, electrical and plumbing upgrades, roof repairs, HVAC, structural improvements, ADA upgrades, paving, and fencing.</p> <p>To date, \$1,650,000 in project funds have been provided for urgent repairs to Pier 19/23 and site improvements to parcels located in the backlands area of the southern waterfront. \$498,490 in additional funding is now needed to fund capital improvements that may be needed over the next two years at various facilities as part of the leasing process. Leasing activity that may likely benefit from capital improvement funded by the project include the leasing of office space at Pier 50, SWL 345, potential office and retail space at Pier 33 North, and the retail space once occupied by the former Jelly's Restaurant.</p>



## Exhibit II

### CAPITAL PROJECT BUDGETS (cont.) (Port Operating Fund Balance)

<u>Project Name</u>	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>Description</u>
Port Elevator/Escalator Upgrade, Repair and Replacement Project	\$300,000	\$0	<p>This project provides funding for the repair, upgrade and replacement of the elevator and escalator systems located in various Port facilities. Included in the project scope are replacement of the control systems, as needed. Funds are also provided for labor and equipment as needed. The \$300,000 request for FY 2012/13 completes the funding of this project.</p> <p>Most of the Port's elevator and escalator systems are old and in need of significant repair, upgrade, or, in some cases, replacement. In addition, some of the Port's systems do not meet current ADA standards for accessibility. The project will help ensure that the Port's elevators and escalators operate efficiently and safely. It will also bring the Port's elevator and escalators into ADA compliance, and will help ensure that the systems maintain their certification to operate.</p>
Port Waterfront Support Assets Repair and Replacement II – Add'l Funding	\$0	\$1,313,000	<p>This project provides funding for maintenance, overhaul or replacement of the Port's vessels and other waterfront support equipment, including fenders and fender camel logs. In some cases, the assets are in danger of sinking due to "thin hull" conditions. This project is designed to extend the service life of the Port's waterfront support assets. Without major maintenance, many of these assets will have to be removed from service and replaced with new equipment at a significantly higher cost to the Port.</p> <p>In FY 2005/06 funding of \$655,000 was provided for the dry-docking and overhaul of the Port's pile barge and piledriver No. 4. Additional funds are now needed to purchase a new hydraulic crawler-type pile driving rig and a vibratory pile driver extractor attachment. This equipment will replace the Port's other pile driving rig and vibratory attachment, both of which are old military surplus and now obsolete. Their age causes them to break down frequently, and their obsolescence makes acquiring parts extremely difficult. A new piledriver would greatly enhance the efficiency of the Port's piledriving crew, and a new vibratory hammer would allow the pile crew to drive concrete and the newer plastic pile. With the current equipment the crew is limited to driving wood treated pile.</p>

Total Proposed Project Funding                      \$11,851,650    \$10,500,000





## Exhibit III

### **Scoring Criteria for Port Capital Project Funding Requests**

The first set of "evaluation" criteria used by the Capital Plan Working Group to score capital project funding requests submitted by the Port's divisions address public safety and the Port's mission, as set out in the Burton Act and Transfer Agreement of 1969. The funding requests were scored in increments of five points, up to the maximum specific to each criterion, as follows:

<u>Review Criterion</u>	<u>Maximum Score</u>
Does the project address a code or regulatory issue?	20
Does the project significantly reduce liability to the Port?	15
Does the project promote commerce, navigation or fisheries?	10
Does the project attract people to the waterfront?	10
Does the project protect natural or cultural resources?	15

The second set of evaluation criteria used evaluates the payback period and the return on investment of those capital projects that would bring in additional revenue and/or reduce Port operating costs. The first criterion is intended to capture the efficiency of the investment, the second criterion, the scale of the financial impact. These criteria were scored for each project in increments of five points as follows:

<u>Review Criterion</u>	<u>Maximum Score</u>
What is the payback period, if 10 years or less	10
What is the total 10-year financial benefit to the Port?	20

Finally, all projects were reviewed to determine if they fell into one or more of the four major categories listed below. The Capital Plan Working Group determined that a project belonging to one of these groups was worthy of separate consideration either before or after other projects, depending on the category.

#### Prioritization Category

Is the project required to address an emergency, defined as an immediate threat to human health or the environment?

Is the project legally mandated by a regulatory order or legal judgment?

Is the project substantially matched by outside funding sources?

#### De-prioritization Category

Is the project non-revenue generating and does it have less than 25% in outside matching funds?



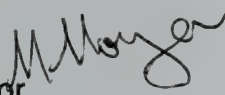




## MEMORANDUM

February 9, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer   
Executive Director

**SUBJECT:** Supplemental appropriation of Fund Balance and 2010 Revenue Debt for Phase I of the James R. Herman International Cruise Terminal Project

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

---

### BACKGROUND

On December 16, 2011, the Port Commission approved the Phase I budget for the James R. Herman International Cruise Terminal Project. As part of the \$62.4 million Phase I project budget, Port staff is requesting a supplemental appropriation in the amount of \$7,248,350 to meet the project encumbrance schedule. Attachment A to this report is the Phase I project encumbrance schedule which demonstrates that this supplemental appropriation is required to meet the project cash needs beginning in April of 2012.

### SOURCES OF FUNDS

The sources of this supplemental appropriation are as follows:

Fund Balance	\$3,448,350
Shoreside Power Reimbursement	2,000,000
Series 2010A Port Revenue Bonds	1,100,000
Series 2010B Port Revenue Bonds	<u>700,000</u>
<b>Total</b>	<b>\$7,248,350</b>

THIS PRINT COVERS CALENDAR ITEM NO. 9C



*Fund balance.* Each year, the Port appropriates Fund Balance accrued from prior year operating surplus to the capital budget. Port staff planned to include \$3,448,350 of Fund Balance in the FY 2012-13 capital budget for the Cruise Terminal Project. However, this source is needed in April 2012 or four months before August 2012 when the FY 2012-13 capital budget appropriation would become available. As such, a supplemental appropriation is required.

*Shoreside Power Reimbursement.* The America's Cup Host and Venue Agreement (HVA) directs the Port to move its shoreside power units from Pier 27 in order to make way for the Event. The America's Cup Event Authority will then reimburse the Port for up to \$2 million in expenditures. In order to expend the funds prior to reimbursement, the Port needs the appropriate budget authority provided by a supplemental appropriation.

*Port revenue bonds.* On February 3, 2010, the Port issued revenue bonds in the amount of \$36,650,000 in two series: 2010A tax exempt \$14,220,000 and 2010B taxable \$22,430,000. The proposed supplemental would reallocate \$1,100,000 from Series 2010A currently allocated to the Pier 35 project. This project is for substructure repairs to keep operational what will become the Port's secondary cruise terminal after completion of the terminal at Pier 27. The project delay at Pier 35 is a result of targeted funding. The U.S. Congress authorized the U.S. Army Corps of Engineers to partner with the Port to undertake this project through the Water Resources Development Act of 2007, but has not yet appropriated project funds. Further, given the need to complete several key projects before the America's Cup races in 2013, this project is now planned for FY 2013-14. The Port intends to allocate \$1,100,000 through the FY 2013-14 capital budget back to the Pier 35 project. Future General Obligation Bonds proceeds in 2012 may serve as a secondary source of repayment. The Recreation and Parks Department and the Port have been working toward a General Obligation Bond measure for the November 2012 ballot which will include the Northeast Wharf Park project. Should the voters approve this measure, the General Obligation bond proceeds will reimburse engineering and design costs for the plaza which totals approximately \$800,000. Reimbursement of these park costs would provide a source for the Pier 35 project, freeing up \$800,000 in the FY 2013-14 capital budget to address other critical repair and replacement needs.

The proposed supplemental would also reallocate \$700,000 from Series 2010B bonds allocated to the Pier 19 Roof project. The project is complete and expenditures came in under budget.

*Cruise Terminal Phase I Funding.* The proposed supplemental appropriation is a component of the \$62,359,983 sources for Phase I of the project as shown in Attachment A. With the proposed supplemental appropriation, \$40,359,983 in project funds will be in place. The remaining appropriation needs totaling \$22 million include \$15.5 million in debt which is anticipated for Commission review in April, with sale anticipated for June of 2012, and a \$6.5 million City contribution planned for July of 2012.





In the FY 2012-13 capital budget, staff proposes adding \$1.5 million to the Cruise Terminal project as a contingency to fund schedule acceleration if needed, and potentially to fund bid alternates currently planned in Phase II, such as the curtain wall, which may be more cost efficient to provide in Phase I. Port staff recommends this increase for two reasons. First, the proposed Disposition and Development Agreement, which provides the terms and conditions for the Event Authority to enter into short and long-term leases of Port property and defines Port and Event Authority's obligations, provides that the Port will take measures to ensure project delivery by March 1, 2013, including adding extra work shifts. Second, the construction bids to date are generally coming in at or above the Engineer's estimates. This represents an early signal that the bid alternates for the curtain wall and the elevator/escalator package may not be possible within the current budget of \$62,359,983. These two factors indicate that it is prudent to allocate projected operating surplus from the current year which would otherwise accrue to fund balance to this project. Port staff will bring a separate request to the Commission in April or May to increase the Phase I budget from \$62,359,983 to up to \$63,859,983 to utilize these funds to expedite the project and/or to fund bid alternates as the project progresses and the majority of the bid packages are awarded.

## **RECOMMENDATION**

Approve the attached resolution recommending a supplemental appropriation ordinance, shown in Attachment B, be place before the Board of Supervisors.

Prepared by: Elaine Forbes, Deputy Director, Finance and Administration

### **Attachments:**

- A. Phase I project encumbrance schedule
- B. Supplemental appropriation legislation



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-14**

- WHEREAS, On December 16, 2011 the Port Commission approved the Phase I budget for the James R. Herman International Cruise Terminal Project in the amount of \$62,359,983; and
- WHEREAS, The Phase I project encumbrance schedule demonstrates that a supplemental appropriation in the amount of \$7,248,350 is required to meet the project cash needs beginning in April of 2012; and
- WHEREAS, Staff has identified sources totaling \$7,248,350 from Fund Balance, Series 2010A and Series 2010 B Port Revenue Bonds, and America's Cup Event Authority reimbursement to relocate shoreside power; therefore be it
- RESOLVED, That the Port Commission hereby approves appropriating \$3,448,350 in Fund Balance, \$2,000,000 for the shoreside power reimbursement from the America's Cup Event Authority, \$1,100,000 from Series 2010A Port Revenue Bonds, and \$700,000 from Series 2010B Port Revenue Bonds, for a total of \$7,248,350 for the James R. Herman International Cruise Terminal at Pier 27.

***I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 14, 2012.***

\_\_\_\_\_  
Secretary



[Appropriating \$7,248,350 of fund balance and existing revenue debt to the Port Commission in Fiscal Year 2011-2012]

Ordinance appropriating \$7,248,350 consisting of \$3,448,350 in fund balance, \$2,000,000 in reimbursements from the America's Cup Event Authority (ACEA), and re-appropriating \$1,800,000 from 2010 Revenue Bond funded projects to the Cruise Terminal at Pier 27.

Note: Additions are single-underline italics Times New Roman;  
deletions are ~~strikethrough italics Times New Roman~~.  
Board amendment additions are double underlined.  
Board amendment deletions are ~~strikethrough normal~~.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The sources of funding outlined below are herein appropriated to reflect the funding available in Fiscal Year 2011-2012.

#### SOURCES Appropriation

Fund	Index/Project Code	Subobject	Description	Amount
5P-AAA-AAA	*PRT5PAAAAAA	99999B	Fund Balance	\$3,448,350
PORT-OPERATING-NON- PROJ-CONTROLLED FD				
5P-AAA-ACP	392601	087ZZ	SHORESIDE	\$2,000,000
Port – Continuing Project	CPO769-10	EXP REC-	POWER	
Operating Fund		UNALLOCATED	REIMBURSEMENT	
		(NON-AAO	AMERICA'S CUP	
		FDS)-BUDGET	EVENT	
			AUTHORITY	





	<b>Fund</b>	<b>Index/Project Code</b>	<b>Subobject</b>	<b>Description</b>	<b>Amount</b>
2	5P-CPF-09A	390910	06C00	Revenue Bonds	\$1,100,000
3	REV BONDS 2009-SERIES	CPO921			
4	2010A - TAX EXEMPT	9ARJ01			
5					
6	5P-CPF-09B	390912	06C00	Revenue Bonds	\$700,000
7	REV BONDS 2009 - SERIES	CPO920			
8	2010B - TAXABLE	9BRF01			
9					
10	<b>Total SOURCES Appropriation</b>				<b>\$7,248,350</b>

11

12 Section 2. The uses of funding outlined below are herein appropriated in FY 2011-2012 in  
 13 Subobject 06700 (Buildings, Structures, and Improvement Project-Budget), and reflects the  
 14 projected uses of funding to support the Port Commission in the development of the Mixed-  
 15 Use Cruise Terminal at Pier 27.

16

17 **USES Appropriation**

	<b>Fund</b>	<b>Index / Project Code</b>	<b>Subobject</b>	<b>Description</b>	<b>Amount</b>
19	5P-AAA-ACP	392601	06700 Buildings,	Pier 27	\$5,448,350
20	Port – Continuing Project	CPO769-10	Structures, and	Cruise Terminal	
21	Operating Fund		Improvement	Project	
22			Project-Budget		

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# CRUISE TERMINAL PROJECT

## Phase I Encumbrance Schedule

Updated 02-07-12

### USES OF FUNDS

#### Construction

Construction, including Demolition & Shoreside Power	\$	40,057,833
Construction Contingency	\$	3,927,676
Construction Mngr./ Gen. Contractor Svcs.	\$	1,422,915
<b>Subtotal, Construction</b>	<b>\$</b>	<b>45,408,424</b>

#### Design & Engin'g, Project Managem't & Entitlement Costs

KMD, Architectural & Engineering Design Services	\$	9,173,292
<b>Subtotal, Design &amp; Etc.</b>	<b>\$</b>	<b>16,951,500</b>

#### Total Uses

	\$	62,360,000
--	----	------------

### SOURCES OF FUNDS

#### Secured - Port

Watermark Sale Proceeds and Interest		
Series A&B 2010 Port Revenue Bonds		
Operating Budget - Workorder, including PY carry'd	\$	\$
Capital Budget Appropriations, FY11-12	\$	\$

#### Secured - Other

Contribution to Shorepower		
FEMA Security Grant		

#### Subtotal, Secured

	\$	268,106
--	----	---------

#### Planned - Port

COP Issuance	\$	
Capital Budget Supplemental Apropration,	\$	

#### Subtotal, Planned

	\$	240,606
--	----	---------

#### Proposed - Port

Repurposing Existing 2010 Debt	\$	
Capital Budget Appropriation, FY12-13	\$	

#### Proposed - Other

City Contribution	\$	
2012 G.O. Bond	\$	
Cruise Operator Contribution	\$	
Passenger Facility Charge	\$	

#### Subtotal, Proposed

	\$	
--	----	--

#### Total Sources

	\$	
--	----	--

#### PROJECT BALANCE (Shortfall) / Surplus

446	\$	60,241,052	\$	60,481,658	\$	60,716,626	\$	60,966,232
983	\$	62,359,983	\$	62,359,983	\$	62,359,983	\$	62,359,983
537	\$	2,118,931	\$	1,878,325	\$	1,643,357	\$	1,393,751

CUMULATIVE BALANCE OF F

#### Prior Spending

31-Dec

Jan

Jun

Jul

Aug

Sep

Oct

Nov

Dec

Q1

Q2

FY 2012-13



CRUISE TERMINAL PROJECT

Phase I Encumbrance Schedule

Updated 02-07-12

								FY 2012-13							
		Prior Spending	Q3			Q4			Q1			Q2			
		31-Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
<b>USES OF FUNDS</b>															
<u>Construction</u>															
Construction, including Demolition & Shoreside Power	\$ 40,057,833	\$ 330,000	\$ 2,032,867	\$ 1,637,773	\$ 7,306,393	\$ 4,790,594	\$ 3,240,778	\$ 19,697,401	\$ 909,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Contingency	\$ 3,927,676	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,927,676	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Mngr./ Gen. Contractor Svcs.	\$ 1,422,915	\$ 194,078	\$ 1,228,837	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal, Construction	\$ 45,408,424	\$ 524,078	\$ 3,261,704	\$ 1,637,773	\$ 7,306,393	\$ 4,790,594	\$ 3,240,778	\$ 19,697,401	\$ 4,837,604	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Design &amp; Engin'g, Project Managem't &amp; Entitlement Costs</u>															
KMD, Architectural & Engineering Design Services	\$ 9,173,292	\$ 5,905,576	\$ 3,267,716	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal, Design & Etc.	\$ 16,951,559	\$ 8,672,362	\$ 3,549,919	\$ 343,695	\$ 467,417	\$ 298,331	\$ 304,633	\$ 269,190	\$ 268,106	\$ 268,106	\$ 262,362	\$ 240,606	\$ 240,606	\$ 234,968	\$ 249,606
Total Uses	\$ 62,359,983	\$ 9,196,440	\$ 6,811,623	\$ 1,981,468	\$ 7,773,810	\$ 5,088,925	\$ 3,545,411	\$ 19,966,591	\$ 5,105,710	\$ 268,106	\$ 262,362	\$ 240,606	\$ 240,606	\$ 234,968	\$ 249,606
<b>SOURCES OF FUNDS</b>															
<u>Secured - Port</u>															
Watermark Sale Proceeds and Interest	\$ 20,134,075	\$ 11,079,621	\$ -	\$ 8,450,894	\$ 603,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series A&B 2010 Port Revenue Bonds	\$ 10,139,456	\$ 10,139,456	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Budget - Workorder, including PY carry'd	\$ 295,905	\$ 295,905	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Budget Appropriations, FY11-12	\$ 1,375,347	\$ 1,375,347	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal, Port	\$ 31,944,783	\$ 22,890,329	\$ -	\$ 8,450,894	\$ 603,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Secured - Other</u>															
Contribution to Shorepower	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FEMA Security Grant	\$ 1,166,850	\$ 1,166,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal, Other	\$ 3,166,850	\$ 1,166,850	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal, Secured	\$ 35,111,633	\$ 24,057,179	\$ -	\$ 8,450,894	\$ 603,560	\$ -	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Planned - Port</u>															
COP Issuance	\$ 15,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Budget Supplemental Apropriation, FY11-12	\$ 3,448,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,448,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal, Planned	\$ 18,948,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,448,350	\$ 15,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Proposed - Port</u>															
Repurposing Existing 2010 Debt	\$ 1,800,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,800,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Budget Appropriation, FY12-13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal, Port	\$ 1,800,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,800,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Proposed - Other</u>															
City Contribution	\$ 6,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012 G.O. Bond	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cruise Operator Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Passenger Facility Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal, Proposed	\$ 6,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal, Proposed	\$ 8,300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,800,000	\$ -	\$ 6,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Sources	\$ 62,359,983	\$ 24,057,179	\$ -	\$ 8,450,894	\$ 603,560	\$ -	\$ 7,248,350	\$ 15,500,000	\$ 6,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>PROJECT BALANCE (Shortfall / Surplus)</b>		\$ -													
<b>CUMULATIVE BALANCE OF FUNDS</b>															
Uses	\$ 9,196,440	\$ 16,008,063	\$ 17,989,531	\$ 25,763,341	\$ 30,852,266	\$ 34,397,677	\$ 54,364,268	\$ 59,469,978	\$ 59,738,084	\$ 60,000,446	\$ 60,241,052	\$ 60,481,658	\$ 60,716,626	\$ 60,966,232	\$ 61,215,838
Sources	\$ 24,057,179	\$ 24,057,179	\$ 32,508,073	\$ 33,111,633	\$ 33,111,633	\$ 40,359,983	\$ 55,859,983	\$ 62,359,983	\$ 62,359,983	\$ 62,359,983	\$ 62,359,983	\$ 62,359,983	\$ 62,359,983	\$ 62,359,983	\$ 62,359,983
Balance	\$ 14,860,739	\$ 8,049,116	\$ 14,518,542	\$ 7,348,292	\$ 2,259,367	\$ 5,962,306	\$ 1,495,715	\$ 2,890,005	\$ 2,621,899	\$ 2,359,537	\$ 2,118,931	\$ 1,878,325	\$ 1,643,357	\$ 1,393,751	\$ 1,143,145



<b>Fund</b>	<b>Index / Project Code</b>	<b>Subobject</b>	<b>Description</b>	<b>Amount</b>
5P-CPF-09A	390910	06700 Buildings,	Pier 27	\$1,100,000
ONDS 2009-SERIES	CPO-769	Structures, and	Cruise Terminal	
A - TAX EXEMPT	9A27CT	Improvement	Project	
		Project-Budget		
5P-CPF-09B	390912	06700 Buildings,	Pier 27	\$700,000
ONDS 2009 - SERIES	CPO-769	Structures, and	Cruise Terminal	
0B - TAXABLE	9B27CT	Improvement	Project	
		Project-Budget		
<b>SES Appropriation</b>				<b><u>\$7,248,350</u></b>

3. The Controller is authorized to record transfers between funds and adjust the  
treatment of sources and uses appropriated in this ordinance as necessary to  
n with Generally Accepted Accounting Principles.

OVED AS TO FORM:

S J. HERRERA, City Attorney

FUNDS AVAILABLE

Ben Rosenfield, Controller

\_\_\_\_\_  
Deputy City Attorney

By: \_\_\_\_\_

Date: January 30, 2012

12-22-12

USES OF FUNDS																		
<b>Construction</b>																		
Construction, including Demolition & Shoreside Power	\$	40,057,833	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	39,945,734	\$	112,599
Construction Contingency	\$	3,927,676	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	3,927,676	\$	-
Construction Mngr./ Gen. Contractor Svcs.	\$	1,422,915	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	1,422,915	\$	-
Subtotal, Construction	\$	45,408,424	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	45,296,325	\$	(112,099)
<b>Design &amp; Engin'g, Project Managem't &amp; Entitlement Costs</b>																		
KMD Architectural & Engineering Design Services	\$	9,173,292	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	9,173,292	\$	-
Subtotal, Design & Etc.	\$	16,951,559	\$	242,952	\$	265,445	\$	153,649	\$	134,031	\$	118,156	\$	90,283	\$	59,175	\$	52,600
Total Uses	\$	62,359,983	\$	242,952	\$	265,445	\$	153,649	\$	134,031	\$	118,156	\$	90,283	\$	59,175	\$	52,600
<b>SOURCES OF FUNDS</b>																		
<b>Secured - Port</b>																		
Watermark Sale Proceeds and Interest	\$	20,134,075	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	20,134,075	\$	-
Series A&B 2010 Port Revenue Bonds	\$	10,139,456	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	10,139,456	\$	-
Operating Budget - Workorder, including PY carry'd	\$	295,905	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	295,905	\$	-
Capital Budget Appropriations, FY11-12	\$	1,375,347	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	1,375,347	\$	-
Subtotal, Port	\$	31,944,783	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	31,944,783	\$	-
<b>Secured - Other</b>																		
Contribution to Shorepower	\$	2,000,000	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	2,000,000	\$	-
FEMA Security Grant	\$	1,166,850	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	1,166,850	\$	-
Subtotal, Other	\$	3,166,850	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	3,166,850	\$	-
Subtotal, Secured	\$	35,111,633	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	35,111,633	\$	-
<b>Planned - Port</b>																		
COP Issuance	\$	15,500,000	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	15,500,000	\$	-
Capital Budget Supplemental Apropration, FY11-12	\$	3,448,350	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	3,448,350	\$	-
Subtotal, Planned	\$	18,948,350	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	18,948,350	\$	-
<b>Proposed - Port</b>																		
Repurposing Existing 2010 Debt	\$	1,800,000	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	1,800,000	\$	-
Capital Budget Appropriation, FY12-13	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Subtotal, Port	\$	1,800,000	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	1,800,000	\$	-
<b>Proposed - Other</b>																		
City Contribution	\$	6,500,000	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	6,500,000	\$	-
2012 G.O. Bond	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Cruise Operator Contribution	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Passenger Facility Charge	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Subtotal, Proposed	\$	6,500,000	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	6,500,000	\$	-
Subtotal, Proposed	\$	8,300,000	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	8,300,000	\$	-
Total Sources	\$	62,359,983	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	62,359,983	\$	-
<b>PROJECT BALANCE (Shortfall) / Surplus</b>													\$	-	\$	-		
<b>CUMULATIVE BALANCE OF FUNDS</b>																		
Uses	\$	61,209,184	\$	61,474,629	\$	61,628,278	\$	61,762,309	\$	61,880,465	\$	61,970,748	\$	62,029,923	\$	62,082,523	\$	62,141,698
Sources	\$	62,359,983	\$	62,359,983	\$	62,359,983	\$	62,359,983	\$	62,359,983	\$	62,359,983	\$	62,359,983	\$	62,359,983	\$	62,359,983
Balance	\$	1,150,799	\$	885,354	\$	731,705	\$	597,674	\$	479,518	\$	389,235	\$	330,060	\$	277,460	\$	218,772

	Fund	Index / Project Code	Subobject	Description	Amount
2	5P-CPF-09A	390910	06700 Buildings,	Pier 27	\$1,100,000
3	REV BONDS 2009-SERIES	CPO-769	Structures, and	Cruise Terminal	
4	2010A - TAX EXEMPT	9A27CT	Improvement	Project	
5			Project-Budget		
6					
7	5P-CPF-09B	390912	06700 Buildings,	Pier 27	\$700,000
8	REV BONDS 2009 - SERIES	CPO-769	Structures, and	Cruise Terminal	
9	2010B - TAXABLE	9B27CT	Improvement	Project	
10			Project-Budget		
11	<b>Total USES Appropriation</b>				<b><u>\$7,248,350</u></b>

Section 3. The Controller is authorized to record transfers between funds and adjust the accounting treatment of sources and uses appropriated in this ordinance as necessary to conform with Generally Accepted Accounting Principles.

APPROVED AS TO FORM:  
DENNIS J. HERRERA, City Attorney

FUNDS AVAILABLE  
Ben Rosenfield, Controller

By: \_\_\_\_\_  
Deputy City Attorney

By: \_\_\_\_\_  
Date: January 30, 2012





	Fund	Index / Project Code	Subobject	Description	Amount
1					
2	5P-CPF-09A	390910	06700 Buildings,	Pier 27	\$1,100,000
3	REV BONDS 2009-SERIES	CPO-769	Structures, and	Cruise Terminal	
4	2010A - TAX EXEMPT	9A27CT	Improvement	Project	
5			Project-Budget		
6					
7	5P-CPF-09B	390912	06700 Buildings,	Pier 27	\$700,000
8	REV BONDS 2009 - SERIES	CPO-769	Structures, and	Cruise Terminal	
9	2010B - TAXABLE	9B27CT	Improvement	Project	
10			Project-Budget		
11	<b>Total USES Appropriation</b>				<b><u>\$7,248,350</u></b>

12

13 Section 3. The Controller is authorized to record transfers between funds and adjust the

14 accounting treatment of sources and uses appropriated in this ordinance as necessary to

15 conform with Generally Accepted Accounting Principles.

16

17 APPROVED AS TO FORM: FUNDS AVAILABLE

18 DENNIS J. HERRERA, City Attorney Ben Rosenfield, Controller

19

20 By: \_\_\_\_\_ By: \_\_\_\_\_

21 Deputy City Attorney Date: January 30, 2012

22

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	Fund	Index / Project Code	Subobject	Description	Amount
2	5P-CPF-09A	390910	06700 Buildings,	Pier 27	\$1,100,000
3	REV BONDS 2009-SERIES	CPO-769	Structures, and	Cruise Terminal	
4	2010A - TAX EXEMPT	9A27CT	Improvement	Project	
5			Project-Budget		
6					
7	5P-CPF-09B	390912	06700 Buildings,	Pier 27	\$700,000
8	REV BONDS 2009 - SERIES	CPO-769	Structures, and	Cruise Terminal	
9	2010B - TAXABLE	9B27CT	Improvement	Project	
10			Project-Budget		
11	<b>Total USES Appropriation</b>				<b><u>\$7,248,350</u></b>

Section 3. The Controller is authorized to record transfers between funds and adjust the accounting treatment of sources and uses appropriated in this ordinance as necessary to conform with Generally Accepted Accounting Principles.

APPROVED AS TO FORM:	FUNDS AVAILABLE
DENNIS J. HERRERA, City Attorney	Ben Rosenfield, Controller
By: _____	By: _____
Deputy City Attorney	Date: January 30, 2012





## MEMORANDUM

February 9, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer *M Moyer*  
Executive Director

**SUBJECT:** Informational memorandum regarding the Development and Disposition Agreement and related actions approved by the Port Commission on December 16, 2011 to implement the 34<sup>th</sup> America's Cup Project, involving use of Piers 26, 28, 30-32, 19-23, 27-29, and 29½ and adjacent water areas; water basins between Piers 32 and 38, Piers 14 and 22½, and Pier 9 apron and water area, all located along The Embarcadero waterfront; Seawall Lot 330; and a portion of Pier 80, located along the north side of Islais Creek, east of Illinois Street.

### DIRECTOR'S RECOMMENDATION: Informational Only; No Action Required

#### OVERVIEW

The purpose of this memorandum is to provide the Port Commission and the public a written update on the business terms of the Development and Disposition Agreement ("DDA") between the Port and the America's Cup Event Authority for the 34<sup>th</sup> America's Cup Match and related activities (the "Event" or "AC34"), as presented in the December 10, 2011 Memorandum to the Port Commission and orally presented by staff at the December 16, 2011 Port Commission meeting. Attached are copies of the slides presented by staff at the December 16, 2011 Port Commission meeting. Additionally this memorandum includes a summary of the business terms of the DDA as adopted by the Port Commission and an updated analysis of these terms.

Separately, the Port Commission will consider the proposed AC34 Venue Leases in February, 2012, and will consider any further modifications to the DDA at a future Port Commission meeting, if necessary.

THIS PRINT COVERS CALENDAR ITEM NO. 10A





## **BACKGROUND**

Previous Port Commission staff reports and other City reports provide important background information about the City's endorsement of the Host and Venue Agreement (the "HVA") between the Authority, the City, and the America's Cup Organizing Committee (the "ACOC"), the proposed uses of Event Venues, both on and off of Port property, and related planning efforts, including the following:

- **Port Commission Approval of the HVA:** For information regarding the Port Commission's resolution endorsing the HVA, please see Port Commission Agenda Item 5A on the November 30, 2010 Agenda<sup>1</sup>.
- **Board of Supervisors Approval of the HVA:** For analyses of hosting the 34<sup>th</sup> America's Cup by the Controller, the San Francisco Board of Supervisors ("Board of Supervisors") Budget Analyst, the Office of Economic and Workforce Development and the Port, please see the full Board of Supervisors Agenda for December 14, 2010<sup>2</sup>.
- **HVA:** A copy of the HVA as finally approved on December 31, 2010<sup>3</sup> and a description of the changes made to the HVA between approval by the San Francisco Board of Supervisors on December 14, 2010 and final execution on December 31, 2010<sup>4</sup> may be found on the website for the City's Office of Economic and Workforce Development.
- **Port-Controller Memorandum of Understanding to Reimburse Lost Rent:** For information regarding the Port Commission's resolution approving an agreement between the Controller and the Port to reimburse the Port for rent loss due to hosting the 34<sup>th</sup> America's Cup and for race related costs, please see Port Commission Agenda Item 9A on the February 8, 2011 Agenda<sup>5</sup>.
- **Proposed Uses of AC34 Venue Sites and Description of Required Project Approvals:** For information regarding the proposed uses of AC34 Venues sites, both on and off Port property, and for details regarding project approvals by the City and County of San Francisco and other state and federal agencies, please see Port Commission Agenda Item 9C on the November 15, 2011 Agenda<sup>6</sup>.

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<sup>1</sup> <http://www.sfport.com/Modules/ShowDocument.aspx?documentid=308>

<sup>2</sup> [http://www.sfbos.org/ftp/uploadedfiles/bdsupvrs/bosagendas/materials/bag121410\\_101259.pdf](http://www.sfbos.org/ftp/uploadedfiles/bdsupvrs/bosagendas/materials/bag121410_101259.pdf)

<sup>3</sup> [http://www.oewd.org/media/docs/AC34/12.31\\_docs/HOST\\_CITY\\_AGREEMENT\\_FULLY\\_EXECUTED\\_12.31.10.pdf](http://www.oewd.org/media/docs/AC34/12.31_docs/HOST_CITY_AGREEMENT_FULLY_EXECUTED_12.31.10.pdf)

<sup>4</sup> [http://www.oewd.org/media/docs/AC34/12.31\\_docs/AC34\\_Overview\\_of\\_Changes\\_to\\_the\\_Host\\_City\\_Agreement.pdf](http://www.oewd.org/media/docs/AC34/12.31_docs/AC34_Overview_of_Changes_to_the_Host_City_Agreement.pdf)

<sup>5</sup> <http://www.sfport.com/Modules/ShowDocument.aspx?documentid=666>

<sup>6</sup> <http://www.sfport.com/modules/showdocument.aspx?documentid=2482>



- **California Environmental Quality Act (“CEQA”):** For copies of Environmental Planning’s CEQA Case No. 2010.0493E The 34th America’s Cup and James R. Herman Cruise Terminal and Northeast Wharf Plaza, including the Notice of Preparation, Draft Environmental Impact Report (“EIR”) and Final EIR<sup>7</sup>, please see the Department of City Planning’s Environmental Planning website. A copy of these documents is included in Port Commission files associated with Resolution 11-79.
- **Other Planning Documents:** For copies of other Event-related planning documents, including the People Plan (related to transportation planning), the Zero Waste Plan, the Parks Event Operations Plan, the Water and Air Traffic Plan, the Advertising Plan, the Ambush Marketing Plan, and the forthcoming Youth Involvement Plan and Workforce Development Plan, please see the website for the City’s Office of Economic and Workforce Development<sup>8</sup>. A copy of these documents is included in Port Commission files associated with Resolution 11-80.

### **DEVELOPMENT AND DISPOSITION AGREEMENT (“DDA”)**

Key purposes of the DDA are to: (1) set forth the obligations of the Authority to improve Port property for the Event, (2) govern Port review and approval of scopes of work for both pre-Match and deferred improvement to Port property performed by the Authority (each, a “Scope of Work”), (3) govern the conditions for delivery of the Venues to the Authority, and (4) set forth the means to reimburse the Authority for its improvements on Port property.

The DDA provides the Authority with more certainty as to its rights and obligations that will support its further investment in the design, construction documents and approval process for the Project and to finalize the Project financing. The DDA protects the Port because the Port: (1) is not obligated to deliver the Venue Leases and Venue Licenses unless and until the conditions in the DDA are met, (2) regulates the construction and design process, and (3) defines the sources of repayment to reimburse the Authority for the actual cost of improvements. After the Authority completes construction of the improvements described in the Scopes of Work approved in accordance with the DDA, the Port will issue a Certificate of Completion, which upon recordation will terminate the DDA, but not the Port’s reimbursement obligation or indemnification obligations of either party.

The Port Commission approved the DDA on December 16, 2011. This approval was required because the DDA concerns a major development on Port property and sets forth requirements for delivering the Venue Leases and Venue Licenses, and the means by which the City and Port are obligated to reimburse the Authority for its improvements on Port property. Board of Supervisors approval is required because the DDA amends the HVA by replacing sections 5, 6, 7, and 15 of the HVA, the sections addressing Venue Leases, Authority and Port infrastructure work for the Event, long-term

<sup>7</sup> <http://www.sf-planning.org/index.aspx?page=1828>

<sup>8</sup> <http://sfgov.org/site/frame.asp?u=http://www.oewd.org>





development rights of the Authority, and indemnity. The final DDA will include a Memorandum of Understanding between the City and the Authority providing for a cost-sharing of obligations pursuant to the Mitigation Monitoring and Reporting Program pursuant to the Final EIR. Board of Supervisor review and approval is currently anticipated for February 2012. The Board of Supervisors upheld the certification of the Final Environmental Report on January 24, 2012.

### **Infrastructure Work**

The DDA includes obligations for both parties to perform improvements to Port property. Port infrastructure obligations are:

- to cause the demolition and removal of Pier 36 by January 1, 2013;
- to complete the Brannan Street Wharf no later than June 30, 2013;
- to complete Phase I of the James R. Herman Cruise Terminal building by March 1, 2013; and
- to relocate Pier 27 shoreside power facilities to a location near the new Pier 27 cruise terminal building.

In addition, staff of the San Francisco Bay Conservation and Development Commission (BCDC) have recommended that the Port be required to remove Pier ½ by March 1, 2013, as a condition to approval of a proposed amendment to the *Special Area Plan for the San Francisco Waterfront*. That commission will act on the proposed amendment in March 2012 and, if the amendment is approved, the Port will undertake the pier removal.

The DDA calls for Port delivery of a substantially complete Pier 27 cruise terminal building to the Authority by a Venue License by March 1, 2013 for the 2013 AC34 events. The Port will have a limited right to use Pier 27 to berth cruise ships between March 1 and May 31, 2013 when Pier 27 is not being used for the Event with the Authority's consent, given in its sole discretion. The Authority's right to exclusive use of Pier 27 will end one month after the final America's Cup Match, on October 21, 2013.

Authority work falls into several categories: (1) Pre-Match Authority Infrastructure Work (AIW), (2) Deferred AIW, (3) Deferred Additional Work, (4) Spectator Vessel Dredging Work, and (5) all other work, as shown in Table 1 below.





**Table 1: Description of Authority Infrastructure Work and Additional Work**

<b>Authority Work</b>	<b>Description</b>
<b>Pre-Match Authority Infrastructure Work</b>	<p>Pre-Match AIW is all pre-Match work performed on Port property by the Authority for Event purposes, except Spectator Vessel Dredging Work. Pre-Match AIW is subject to reimbursement through certain long-term development rights described below.</p> <p>Required AIW projects are:</p> <ul style="list-style-type: none"><li>• All Piers 30-32 work required to stage the Event;</li><li>• Pier 29 end wall construction and substructure repairs (note: the Port has elected to undertake demolition of Pier 27 and a portion of Pier 29 as part of the Pier 27 Cruise Terminal Project);<sup>9</sup></li><li>• Payment of up to \$2 million for relocation of shoreside power;</li><li>• Compliance with Regulatory Conditions of Approval (i.e., conditions placed by BCDC and other permitting agencies related to Pre-Match AIW); and</li><li>• Compliance with MMRP mitigation measures assigned to the Authority to mitigate its activities on Port Venues.</li></ul> <p>With the Port's approval as to Scope of Work, the Authority also may choose to make pre-Match improvements to prepare Port property for the Event, which will be subject to reimbursement and included in AIW. Elective AIW may include:</p> <ul style="list-style-type: none"><li>• Dredging and pier improvements to accommodate the regattas (e.g., dredging for the 72' catamarans racing in 2013 ("AC72s")); and</li><li>• Pre-Match improvements and repairs to Port Venues, which may include Piers 26 and 28.</li></ul>
<b>Deferred Authority Infrastructure Work</b>	<p>Deferred AIW consists of work at Piers 30-32 not performed pre-Match. Deferred AIW may be deferred for up to 10 years after the Venue Lease for Piers 30-32 expires. Deferred AIW is subject to reimbursement through the formula described in the section <u>Sources of Reimbursement for Authority Improvements: Balancing Formula</u>.</p>

<sup>9</sup> See discussion of Pier 27 work in the venue section below.



Authority Work	Description
<b>Deferred Additional Work</b>	Deferred Additional Work consists of post-Match work at Piers 26 and 28, which may be constructed at any time up to 10 years after expiration of the Venue Lease for Pier 26 or Pier 28, as applicable. Deferred Additional Work is subject to reimbursement as described in the section <u>Sources of Reimbursement for Authority Improvements: Balancing Formula</u> .
<b>Spectator Vessel Dredging Work</b>	Spectator Vessel Dredging Work consists of dredging to accommodate spectator vessels but not for AC45 or AC72 catamarans. The Authority's costs of Spectator Vessel Dredging Work may be applied to offset rent at marina leases at locations on the conditions described in the section <u>Sources of Reimbursement for Authority Improvements: Balancing Formula</u> .
<b>All Other Work</b>	The Authority may also undertake other work it deems necessary for the Event at its own expense, subject to the Port's Scope of Work approval.

## Venues

The DDA provides for both short-term Venues for use during AC34, and long-term development sites, which may include short-term Venues. The Venues consist of Piers 26, 28, 30-32 and Seawall Lot 330, Piers 19-23, Pier 27, Pier 29, Pier 29½, Brannan Street Wharf, Pier 80, Pier 9 apron and water area<sup>10</sup>, Pier 14 North and South water areas, and the water area between Pier 32 and the northern edge of the Pier 38 premises (the "Brannan Street Wharf Open Water Basin"). Venues are available for exclusive use<sup>11</sup> by the Authority during AC34 except for Brannan Street Wharf, Pier 27<sup>12</sup>, and portions of Pier 80. Specific provisions for Venues, including long-term development rights, are outlined below.

**Piers 30-32:** Piers 30-32 is the site of the most extensive infrastructure work. Subject to completing \$55 million of Pre-Match Authority Infrastructure Work, the Authority has a right to a rent-free 66-year lease of Piers 30-32 after expiration of the related Venue Lease, subject to approval of a Public Trust-consistent use program by the Port and the California State Lands Commission, and fee title to Seawall Lot 330 as described below. The other terms of the future

<sup>10</sup> Subject to renegotiation or modification of existing tenancies.

<sup>11</sup> The Authority agrees to accommodate public trust uses, which will allow fishing boats to fish in water areas of Venues during herring season (December through March).

<sup>12</sup> For the Brannan Street Wharf and Pier 27, public access requirements and bond financing indentures limit the Port's ability to grant exclusive use of these facilities.





development agreement and lease for Piers 30-32, including uses, will be subject to agreement by the parties.

The Authority will be reimbursed for Authority Infrastructure Work above \$55 million (Investment Value) by long-term development rights and financing mechanisms described in the section Sources of Reimbursement for Authority Improvements: Balancing Formula below. Long-term development is subject to subsequent project-specific CEQA analysis. Now that CEQA review for the AC34 Event is complete, the Port and the Authority will consider entering into a long-term DDA and a long-term lease for Piers 30-32, known as a Legacy Lease. The Authority will be required to include a maritime use in its public trust-consistent long-term development project.

During the Venue Lease term, the Port will have limited use of the east berth of Piers 30-32 as a tertiary berth for cruise vessels with the Authority's consent, in its sole discretion.

Seawall Lot 330: Seawall Lot 330 will be transferred to the Authority through a transfer agreement ("Transfer Agreement") subject to approval by the Port Commission and the Board of Supervisors provided that it has either performed Pre-Match Authority Infrastructure Work equal to or greater than the appraised value of Seawall Lot 330 (appraised at \$24 million on July 1, 2011 through a process prescribed by the HVA), or provided adequate security for its completion of the work. Adequate security may include a guaranty by an entity with sufficient net worth to assure that the requisite Authority Infrastructure Work is completed. Future development of the site will be subject to project-specific CEQA analysis and other City approvals, and final approval action by the California State Lands Commission pursuant to AB 418<sup>13</sup>, but no further Port Commission approval. The DDA states the Port's intention to seek Board of Supervisors approval of the Transfer Agreement concurrent with its approval of the IFD and to close transfer of Seawall Lot 330 by September 30, 2012. Prior to approval of the transfer agreement, AB 418 requires the Port to identify (but not necessarily acquire) 2 acres of land that can be impressed with the public trust, subject to approval of the State Lands Commission.

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<sup>13</sup> Assembly Bill 418 (Assemblymember Ammiano) lifted the Public Trust from Seawall Lot 330 and authorized the State Lands Commission to approve a transfer in fee to the Authority if: (a) the Authority completes Pre-Match Authority Infrastructure Work at least equal to the parcel's appraised value (\$24 million); (b) the transfer is complete by September 2012; and (c) the Match is held by December 31, 2013. The bill also addresses the failure to satisfy the conditions to the transfer.



Piers 26 and 28: The Authority may obtain long-term leases at Piers 26 and 28 at a starting rental rate of \$6 per gross building square foot at any time until 10 years after expiration of the Venue Lease for the applicable pier (each, a "Legacy Option Lease"), if it elects to perform Deferred Additional Work at either or both sites.

Piers 27-29 Pier 27 is not a long-term development site under the DDA. Pier 29 (or another mutually agreed pier) may become a long-term development site with rent starting at \$6 per gross building square foot, as escalated by increases in CPI, if needed to repay Authority Infrastructure Work (see also Investment Value below).

To keep the Cruise Terminal project on schedule and meet the Port's delivery date for Pier 27, the DDA provides that the Port will undertake the demolition work described in Table 1 above. The cost of the work will be the Port's responsibility and is part of the Cruise Terminal Phase I project budget.

Because Pier 27 is to be the site of the main America's Cup Village for the 2013 Events, the Authority has asked for assurances that the Port will meet its March 1, 2013 delivery date. The Port has agreed to engage a third party consultant to perform a "stress test" of the feasibility of the Port's Phase 1 cruise terminal construction schedule and to provide regular construction progress reports to the Authority. The expense of the third party consultant is funded through the Port's cruise terminal project Phase 1 budget.

If construction falls behind, the Port must provide to the Authority a plan for meeting the schedule (such as extra work shifts), and the City and the Port will work with the Authority to identify appropriate spaces (which may include the remainder of Pier 27) in which to hold special events and, if necessary, to house the planned America's Cup Village. If the Port does not have funds available to fund its "speed-up" plan, the Authority can elect to fund the measures upon approval of the Port's plan, and any costs so incurred would be included in its Pre-Match Authority Infrastructure Work costs, subject to same reimbursement mechanisms for Authority Infrastructure Work.

The DDA has an attached schedule of delivery dates for each Venue. If the Port does not deliver certain important Venues such as Pier 27 by the delivery dates, the Authority may terminate the DDA. The Port will deliver Venues free of tenants, except as previously agreed. The Port will retain the lease for Red's Java House unless the Authority elects to assume the lease. If the Port cannot deliver any Venue free of tenants, the Authority can elect to accept the Venue with an assignment of the Port's rights, including the right to evict any remaining tenants. The Port also must deliver a





policy of title insurance for Piers 30-32, Seawall Lot 330, and Piers 26 and 28 (if the Authority performs Deferred Additional Work).

If material deterioration in the physical condition of a Venue occurs before its delivery date, the Port must identify functionally equivalent space for the Authority's approval as soon as reasonably practicable, but in no event more than 30 days after the deteriorated conditions are known. If the Authority rejects two successive proffers of functionally equivalent space, either party may terminate the DDA as to that Venue.

The Authority has the right to use the Venues if it defends the America's Cup and selects San Francisco to host the 35<sup>th</sup> America's Cup events, and the parties agree on the terms of a new host and venue agreement. The parties each will have the right to terminate negotiations if they do not agree upon the new host and venue agreement for a successive defense of the America's Cup within 6 months after the Match, subject to additional analysis pursuant to CEQA.

### **Force Majeure and Time Extensions**

The time limits in the DDA, including the deadlines for delivery of Port Venues to the Authority, are subject to extension of up to two years for force majeure, which are major events outside the control of either party. If any Venue is not delivered by the "Outside Delivery Date" that is two years after its scheduled delivery date, the Authority may terminate the DDA as to that Venue, and either party may terminate if a force majeure event, such as litigation, extends the Outside Delivery Dates for the Venues by more than two years.

If the DDA is terminated before the Event on a no-fault basis under the DDA, and the Authority has expended substantial sums up to or exceeding \$55 million preparing for the Match, the Authority will have recourse solely to the following forms of repayment from the Port for amounts expended plus 11% interest, after application of any insurance proceeds (including disaster funding from the Federal Emergency Management Agency), and only to the extent available: (1) an interim lease of 10 years or longer (if permitted by law) of Piers 30-32 as a parking lot; (2) a long-term right to develop Piers 30-32, subject to project-specific CEQA analysis and Port Commission approval of the proposed development, with a rent starting at \$4 per square foot, escalated periodically, and rent credits for any additional required substructure work; and (3) if needed, a share of IFD proceeds from any future development of Piers 30-32, even if the Authority does not hold the development rights.

The Authority has a separate right to extend the Match by up to 12 months for any reason under the HVA.





## **Approval of Scopes of Work**

The Port has the right to approve all Scopes of Work related to infrastructure proposed by the Authority. The DDA allows the Authority to perform the types of infrastructure work described in Table 1 above, and provides a process for Port review and approval of Scopes of Work and amendments and revisions to Scopes of Work from time to time, in accordance with its customarily reserved rights as a landlord reviewing tenant proposals for capital improvements. Typically, the Port's review in its capacity as landlord will include: (i) benefit to the Public Trust; (ii) compliance with project requirements, including City and Port laws and policies, mitigation measures, and regulatory approvals; (iii) restrictions imposed by applicable laws regarding the uses of public assets and legal prohibition against gifts of public funds.

Regarding both the proposed pre-Match seismic upgrade and any planned seismic upgrade of Piers 30-32 for development after the Match, at the December 16, 2011 Port Commission meeting, the Port conditionally approved the Authority's proposed Scope of Work provided that:

- Prior to finalizing its construction plans, the Authority will perform a non-linear time history seismic analysis of Piers 30-32 with peer review by the Port's 3<sup>rd</sup> party engineer. The Port's 3<sup>rd</sup> party engineer must concur that the upgrade meets but does not substantially exceed code requirements, with final determinations regarding code compliance made by the Port's Chief Harbor Engineer.
- If the Federal Emergency Management Agency (FEMA) has mapped Piers 30-32 as a high hazard flood risk, prior to submitting construction drawings for a future upgrade of Piers 30-32, the Authority must obtain FEMA remapping of Piers 30-32 to permit mixed use development.
- The Authority must obtain other regulatory approvals required for the proposed seismic upgrades developed pursuant to the analyses described above, and the Port's Chief Harbor Engineer must determine that the proposed seismic upgrade for the proposed use meets but does not substantially exceed the Port's Building Code requirements.

The complete description of work approved by the Port Commission is included in Attachment C.

## **Assignment/Transfer**

- Venue Leases and Licenses will allow the Authority to assign its interests to affiliates, and to sublease Venues to affiliates, competitors and commercial partners;
- The Authority is prohibited from transferring any interest in a Venue or making a significant change in the composition and control of the Authority before it has



completed the Pre-Match Authority Infrastructure Work to be performed on that Venue, except as noted above, unless the Port Commission authorizes the change; and

- The Authority may assign its long-term development rights under the DDA to a nominee subject to Port approval.

### **Terminating Events**

Certain events may give either or both of the parties termination rights under the DDA. Most significantly, the DDA will terminate:

- in its entirety if the HVA terminates or the Authority assigns or transfers its rights under the DDA without Port consent (when required) and does not cure the default within 30 days; or
- as to a particular Venue if the Port does not deliver the Venue by the Outside Delivery Date, or in its entirety if the City fails to approve the SWL 330 Transfer Agreement; or
- in its entirety at the Authority's option if the Port cannot deliver a key Venue such as Pier 27 when required.

### **Sources of Reimbursement for Authority Improvements: Balancing Formula**

Under the DDA, the Port will implement a number of financing processes to finance its obligation to reimburse the Authority for its "Investment Value" - the Authority Infrastructure Work above \$55 million<sup>14</sup> - and for Deferred Additional Work and reimbursable Spectator Vessel Dredging Work. These financing mechanisms include:

- The Port will form an Infrastructure Financing District ("IFD") on all of its property, with separate project areas for Pier 26, Pier 28, Piers 30-32, and Seawall Lot 330. Through the IFD, the Port will be able to issue bonds secured by the incremental tax revenues from the America's Cup IFD project areas to reimburse the Authority a portion of its infrastructure costs.
- The Port will provide rent credits for the amount of the Authority's Investment Value that is not repaid by other means. Rent credits will be allocated to specific leases and accrue at the rate of 11% interest per year against base rents specified in the DDA. Specific details about the application of rent credits to the Authority's long-term leases are provided below.
- The Port will allow the Authority to obtain the benefit of historic tax credits for qualified work at Piers 26 and 28.

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<sup>14</sup> Authority investment of \$55 million is repaid through a rent-free lease of Piers 30-32 for 66 years and transfer of fee title to Seawall Lot 330.





- The Port has an option to pay for (or “buy-out”) all reimbursable work (Authority Infrastructure Work, Deferred Additional Work, and Spectator Vessel Dredging Work) in excess of \$55 million, provided the Port makes an election within 180 days after the Authority has entered into a Guaranteed Maximum Price (“GMP”) contract for particular Scope of Work, and pays the Authority its reimburseable costs, with 11% interest annually, within 5 years.

### Investment Value

Under the DDA, the Authority’s Investment Value will be calculated as follows:

Investment Value =   Pre-Match Authority Infrastructure Work Costs  
                               + Deferred Authority Infrastructure Work Costs  
                               – \$55 million (repaid by Seawall Lot 330 and Piers 30-32)  
                               – Any amounts repaid through Port’s buy-out option

Investment Value will be determined incrementally as each Scope of Work is completed and project costs are determined by a certified audit process. If needed, the Port will provide the Authority with rent credits (“Balancing Rent Credits”) in the amount of Investment Value. Once established, Investment Value will only be reduced through “balancing” – the application of the sources described below – and by costs the Port must incur to complete Authority Infrastructure Work that does not comply with Scope of Work specifications.

The Port will balance Investment Value derived from Pre-Match Authority Infrastructure Work and Deferred Authority Infrastructure Work above \$55 million exclusively by the application of the following sources in the following order of priority:

- IFD Bond proceeds from Piers 30-32 and Seawall Lot 330.
- Balancing Rent Credits applied to interim leases (up to 10 years) of Pier 26 and Pier 28 against base rent starting at the Port’s then current parameter rent for shed warehouse space, with other terms (including rent escalation) comparable to the Port’s current form of lease.
- Balancing Rent Credits applied to an interim leases (up to 10 years) of Pier 29 against base rent starting at the Port’s then current parameter rent for shed warehouse space, with other terms (including rent escalation) comparable to the Port’s current form of lease.
- Balancing Rent Credits applied to a 66-year lease of Pier 29 (or another pier by agreement) against base rent starting at \$6 per square foot, escalated to the commencement date of the lease, with other terms to be negotiated and presented to the Port Commission and the Board for endorsement and approval, if appropriate, following CEQA review. Rents return to market rate upon the later of 30 years from the lease commencement date or exhaustion of all rent credits.



- An assignment of no more than 50 percent of the Port's rental revenues from a proprietary Port lease of Piers 30-32 subsequent to the termination of the Legacy Lease of Piers 30-32, effective for a period not to exceed 15 years after the commencement date of the subsequent lease, during which period interest will continue to accrue at 11% annually.

#### Deferred Additional Work

The Port will reimburse the Authority for Deferred Additional Work exclusively by the application of the following sources:

- Rent credits in the amount of the Deferred Additional Work that the Authority may apply to a 66-year lease of Piers 26 and 28 ("Legacy Option Leases") against base rent starting at \$6 per square foot, with other terms to be negotiated and presented to the Port Commission and the Board for endorsement and approval, if appropriate, following CEQA review. Rents return to market rate upon the later of 30 years from the lease commencement date or exhaustion of all rent credits.
- IFD Bond proceeds from Piers 26 and 28.
- Proceeds from the sale of historic rehabilitation tax credits.
- Rent credits applied to marina leases on commercially reasonable terms, at the Authority's election.
- An assignment of no more than 50 percent of the Port's rental revenues from proprietary Port leases of Pier 26 and Pier 28 subsequent to the termination of the applicable Legacy Option Lease, effective for a period not to exceed 15 years after the commencement dates of the respective subsequent leases, during which period interest will continue to accrue at 11% annually; subject to the Port's right to substitute a different financing mechanism to rehabilitate historic resources if it can identify a source of financing with a current value equal to or greater than the current value of the rent assignment.

#### Dredging

If the Authority performs Spectator Vessel Dredging Work at Pier 14, Pier 9 or in the Brannan Street Open Water Basin, the Port will enter into exclusive negotiation agreements under which the parties will negotiate commercially reasonable terms of one or two marina leases at Pier 54 and in the Brannan Street Open Water Basin or another marina site acceptable to both parties. After the Authority obtains all final, binding, and non-appealable regulatory approvals required for the marina leases, the Port will provide marina rent credits in the amount of the dredging work cost, which the Authority may apply exclusively to marina leases or leases at Piers 26 and 28, as described below.





## Financial Reports

The Authority must provide the following financial reports:

- The parties must establish the Authority's reimbursable pre-development costs within 60 days after the effective date of the DDA;
- Within 90 days after completion of improvements within a Scope of Work, the Authority will submit a certified statement of construction costs; and
- The Authority will submit quarterly financial reports on Investment Value, project costs incurred, and available rent credits.

## Rent Credits/Long-Term Rights

The DDA provides for the following mechanisms regarding rent credits and long-term development rights:

- The quarterly financial reports will include a running tally of available rent credits at any one time;
- Unused rent credits will accrue interest at a rate of 11% annually, and be applied at the beginning of each applicable lease year against base rent for that lease year;
- The Port will transfer Seawall Lot 330 to the Authority subject to conditions of AB 418, and subject to a right of termination if the Match does not occur by December 31, 2013 unless that date is extended with the agreement of the California State Lands Commission;
- The Port will deliver long-term leases and development agreements on terms negotiated by the parties for Piers 30-32 and, if the Authority performs Deferred Additional Work on Piers 26 and Pier 28;
- The long-term leases will begin only after the Venue Leases have expired and the Authority has obtained all necessary permits and Port and Board of Supervisors approvals and completed CEQA review, subject to the Authority's ability to return said Venues to the Port for up to 10 years after the Match;
- The Legacy Lease and Legacy Option Leases are assignable to Authority affiliates without Port consent, and to others with the Port's reasonable approval;
- The Port will not charge participation rent on long-term leases;
- The Port will not charge rent during the construction period;





- Base rent for long-term leases during any period of rent credits is set at the following:
  - \$4 per sf for Piers 30-32;
  - \$6 per sf for Piers 26 and 28; and
  - As indicated above, \$6 per sf for Pier 29, if it becomes a long-term lease to repay Investment Value, escalated from the effective date of the DDA to the commencement date of the lease;
- For Piers 26, 28 and 29, rents return to market rate in the year after all rent credits have been applied (but no earlier than year 30 of the term), and thereafter rents are periodically reset to market every subsequent 10<sup>th</sup> year during the term;
- Base rent will be adjusted every 5 years, except on market reset dates, by the consumer price index ("CPI") with a floor of 10% and a ceiling of 20%; and
- The Authority may transfer its rent credits by lease assignment.

#### Interim Uses

The DDA makes the following provisions for leasing of Venues that will be subject to long-term leases:

- The Authority may retain exclusive use of Piers 30-32, Pier 26, and Pier 28 for up to 10 years for interim uses;
- If the Authority retains Piers 30-32, annual base rent will be set at \$910,225.16<sup>15</sup> adjusted annually by CPI beginning in 2012 (which is the amount the Port earned in calendar year 2010);
- If the Authority retains Pier 26 and Pier 28, base rent will be at the Port's then-effective parameter rental rate for pier warehouse sheds beginning upon the interim lease date<sup>16</sup>;
- If the Authority has rent credits accruing from Pre-Match Authority Infrastructure Work, rent credits may offset interim base rent for any leases at Piers 26, 28 and 29 that the Port grants under the DDA;

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<sup>15</sup> The DDA does not provide the Authority with the ability to claim rent credits against the rent from the interim lease of Piers 30-32.

<sup>16</sup> Interim lease rates for Piers 26, 28, and 29 differ from long-term lease rates if the sites are leased for 66 years.



- If the Authority retains Pier 29 for interim use, base rent will be at the Port's then-effective parameter rental rate for pier warehouse sheds beginning upon the interim lease date<sup>15</sup>;
- The Authority may instead deliver Venues back to Port for up to 10 years before entering into long-term leases; and
- The Authority must elect to interim lease or return venues to the Port immediately after the Match to provide the Port with 6 months' notice to give the Port the opportunity to begin re-leasing the returned Venues.

### Marina Leases

The DDA provides the following mechanism to reimburse dredging performed to accommodate spectator vessels:

- The Port will enter into an exclusive negotiating agreement for one or more "Marina Leases" at Pier 54 and the Brannan Street Open Water Basin, or other locations agreed by the parties, in consideration for the Authority's Spectator Vessel Dredging Work.
- The Authority may apply the rent credits for any substructure improvements at Pier 54 solely to a 66 year lease for an approximately 425-berth marina serving recreational vessels at Pier 54. To allow for expiration of any existing interim Port leases at that site, a Pier 54 lease would start no sooner than 5 years after the Match and no later than 10 years. The Authority's rent credits and right to the Pier 54 lease will expire if the Authority has not entered into the exclusive negotiation agreement within 5 years after the Match, or closed escrow on the lease within 10 years after the Match.
- The Authority may apply rent credits for the cost of Spectator Vessel Dredging Work to rent owed the Port from the marina leases.
- Any marina lease would be a commercially-reasonable lease of up to a 66 years conditioned on receiving approvals from the Port and all its regulatory partners.
- The resulting marina rent credits will not be considered balancing rent credits but would be transferable among the Legacy Option Leases at Piers 26 and 28.

Attachment B of this memorandum contains a summary of additional DDA terms, including provisions related to construction activities, casualty and risk of loss, dispute resolution, and the creation of community facilities districts.

### **SCOPE OF WORK APPROVAL**

The Authority has prepared a proposed Scope of Work for waterfront improvements for consideration by the Port, pursuant to Section 6.6 of the HVA. The Port's Engineering





Division hired an independent engineering firm, Winzler and Kelley, to review major plans and make recommendations to Port staff. Table 2 below contains cost estimates and notes regarding the proposed work.

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**Table 2: Pre-Match Authority Infrastructure Work and Additional Work**

<b>Proposed Work</b>	<b>Estimate</b>	<b>Notes</b>
<b>Pre-Match Authority Infrastructure Work</b>		Constructed in 2012
Piers 30-32 Upgrades including partial seismic upgrade	50,000,000	Event Authority cost estimate including 42 seismic piles and seismic joint. Final seismic design will be resolved through linear time-history analysis, peer reviewed by Port engineering consultant.
<i>Construction Contingency at 10%</i>	5,000,000	Event Authority cost estimate
<i>Soft Costs (incl. development) at 8%</i>	4,400,000	Event Authority cost estimate
<b>Subtotal Piers 30-32</b>	<b>\$59,400,000</b>	
<b>Remaining Pre-Match Authority Infrastructure Work</b>		
Pier 29 End Wall	850,000	Event Authority estimate - excludes Pier 27-29 demolition
BCDC Costs (Pier 19 south apron repair, Pier 64 removal, Pier 23 handrail, shed/fill removal at other locations TBD)	5,200,000	Event Authority cost estimate
Piers 32-36 Dredge Costs	2,500,000	Port consultant estimate (Boudreau & Assoc.). Port scope of work approval includes mechanism to reduce this dredge area if not needed for Event.
Pier 27 Shoreside Power Relocation	2,000,000	Host and Venue Agreement Section 6.2
Pier 29 Substructure	1,000,000	Event Authority cost estimate
Mitigation (LTMS, USACE)	700,000	Event Authority cost estimate
<b>Subtotal Remaining Pre-Match Authority Infrastructure Work</b>	<b>\$12,250,000</b>	
<i>General Contractor's Fee, Bonds, Design &amp; Estimating Cont., General Conditions</i>	1,837,500	15%
<b>Subtotal</b>	<b>14,087,500</b>	
<i>Construction Contingency at 10%</i>	1,408,750	
<b>Subtotal</b>	<b>15,496,250</b>	
<i>Soft Costs (incl. development) at 8%</i>	610,000	Excludes design costs for Pier 19 apron. Port had engineering plans for this work. Also excludes design costs for relocating shore power.
<b>Total Pre-Match Authority Infrastructure Work</b>	<b>\$75,506,250</b>	
<b>Pre-Match Additional Work</b>		Dredged in 2012
Dredging at Pier 9, Piers 14 North and South, Pier 28 South, and Portions of Piers 32-38 Basin	3,700,000	Event Authority cost estimate
<b>Subtotal Pre-Match Additional Work</b>	<b>3,700,000</b>	
<b>Total Pre-Match Authority Infrastructure Work &amp; Pre-Match Additional Work</b>	<b>\$79,206,250</b>	



Attachment C contains the Scope of Work Approval recommended by Port staff to the Port Commission.

At its December 16, 2012 meeting, Port staff recommended that the Port Commission authorize Port staff to approve a Scope of Work of Pre-Match Authority Infrastructure Work with a cost not to exceed \$75 million and approve dredging described above as Additional Work (for a total projected cost of \$79.2 million), subject to the following conditions:

#### Authority Infrastructure Work

- The Port will undertake the demolition of the Pier 27 shed and a portion of the Pier 29 shed, along with the Pier 27 Administration Building (previously proposed to be conducted by the Authority), to facilitate coordination with cruise terminal construction and site staging;
- Structural work for Piers 30-32 is approved, except as noted, subject to finalization of a Stormwater Control Plan for the site that is acceptable to the San Francisco Bay Regional Water Quality Control Board ("Water Board");
- The Port conditionally approves the Pre-Match partial seismic upgrade of Piers 30-32 subject to completion of a non-linear response history (time-history) analysis using past earthquake events as suggested by the BCDC Engineering Criteria Review Board, which will be peer reviewed by an engineering consultant selected by the Port;
- Pier 29 substructure improvements and Pier 29 end wall construction consistent with Secretary of the Interior's Standards for Treatment of Historic Properties and related Port policies, and Pier 27 stormwater improvements (subject to approval by the Water Board) are approved;
- Improvements related to BCDC requirements are approved, including removal of Pier 64 with a replacement nesting platform, repair of the Pier 19 apron, and installation of a handrail on Pier 23;
- Other regulatory requirements related to construction on Port property, as well as soft costs, are conditionally approved, subject to submittal of detailed costs and review and approval by Port staff; and
- Dredging for AC72 catamarans between Piers 32-38 is conditionally approved, subject to the following requirements:
  - Approval by the Dredged Materials Management Office;
  - The Authority shall use reasonable efforts to limit the proposed dredge to serve the number of AC72 catamarans that will actually be competing (and thus require mooring locations);





- To the extent that fewer mooring locations are required, the Event Authority will reduce the proposed dredge area by moving the southern boundary of the dredge to the north, first eliminating the portion of the proposed dredge under the former footprint of Pier 36;
- The Port will coordinate with the Authority to request that America's Cup Race Management survey the competing teams prior to the proposed dredge to determine minimum dredge depth requirements; and
- The Port will provide final approval to the Event Authority of the remainder of this proposed dredge no later than June 1, 2012.

#### Additional Work

- Dredging at Pier 9 South, Pier 14 North and South, Pier 28 South, and the portion of Piers 32-38 required for large spectator vessels is approved, pending final approval by the Dredged Materials Management Office.

#### Post-Match Work

The parties jointly have begun to assess the costs of the work required to complete future seismic upgrades to Piers 30-32. No such seismic design has been engineered and seismic modeling of the future upgrade will be required based on future construction plans. However, the range of seismic piles that may be required is estimated at 90-120 six foot steel piles. Assuming a 20% cost contingency, and 4% annual construction cost inflation, the Port estimates the potential cost of this future seismic upgrade at \$32.1 million.

Together with planned investments pre-Match, this cost would bring the total investments for which the Authority is either seeking or will seek reimbursement to \$111.3 million. This excludes any future work for Piers 26 and 28 which was estimated at \$25 million in the HVA.

Based on the Port's review of the proposed Scope of Work and associated cost estimates, including review by the Port's third-party engineering consultants of key elements, the Port finds that the Event Authority has met the requirements of HVA Section 6.5 to identify a minimum scope of work for the Authority Infrastructure Work with an estimated cost of \$55 million to be constructed before the Match.

### **FINANCIAL ANALYSIS**

The benefits and costs of hosting the 34<sup>th</sup> America's Cup on the Port are best analyzed in two categories: the short-term race related impacts, and the long term development impacts.



## Short-term Event Related Benefits

Hosting the Event in San Francisco will generate significant public benefits for the City, generating an enormous number of jobs and economic activity in a very short period of time. In order to understand the potential economic impact, the City commissioned a detailed analysis of the potential economic benefits of hosting the Event in San Francisco<sup>17</sup> (the "Economic Impact Report").

The Economic Impact Report estimated that the Event would attract approximately 3 million local visitor days and over 600,000 visitor days from outside the region. The Event is expected to generate the equivalent of 8,840 jobs and more than \$1.4 billion of new economic activity for the region. Based on that level of visitation, the Event is expected to generate nearly \$85 million in local and state taxes and more than \$24 million to the City's General Fund. Changes in visitation levels would result in corresponding changes to tax receipts and employment. The Budget Analyst's report dated December 13, 2010 estimated that the Event would generate \$19.5 million in additional tax revenues, including Hotel, Payroll, Parking and Sales Tax revenues, which would accrue directly to the City's treasury.

Port staff analyzed the Event's potential effects on Port revenues, as described in the staff report for Port Commission Agenda Item 5A on the November 30, 2010 Agenda<sup>18</sup>. Port retail and maritime tenants are expected to realize most of the expected benefits of the Event. Though the Port does not collect participation rents from most maritime tenants, the increased demand for their services will help the overall health of maritime industries and the demand for Port properties. The Port will experience increased percentage rents from excursion operators as well as Port restaurants, retail stores and parking lots. Port staff anticipates increased percentage rents of approximately \$1.0 million during racing.

## Short-Term Event Related Costs

Short-term race related costs include lost rent, incremental costs, and capital obligations.

### *Lost Rent*

As described above, the HVA affords the Authority rent free use of a number of Port facilities during the event. As a result of the Memorandum of Understanding (MOU) between the Port and the City Controller, executed on March 22, 2011, the City will

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<sup>17</sup> A detailed analysis of the potential economic benefits of hosting the Event in San Francisco, "*America's Cup: Economic Impacts of a Match on San Francisco Bay*" was completed jointly by the Bay Area Council Economic Institute and Beacon Economics and issued in September 2010, which can be found at:

[http://www.bayeconfor.org/media/files/pdf/San\\_Francisco\\_America\\_Cup\\_Economic\\_Impact\\_Report.pdf](http://www.bayeconfor.org/media/files/pdf/San_Francisco_America_Cup_Economic_Impact_Report.pdf)

<sup>18</sup> <http://www.sfport.com/Modules/ShowDocument.aspx?documentid=308>





reimburse the Port for lost rent during the Event. The reimbursement process described in the MOU provides the Port with a "Payment in Lieu of Rent"<sup>19</sup> which is intended to neutralize any potential effect of the 34<sup>th</sup> America's Cup on the Port's rental revenues through early 2014 (6 months after the Match). The MOU does not reimburse the Port for lost rent revenues which are associated with the Authority's long term development rights discussed below. Using the current rent rolls and the timeframes for Event Venue related use specified in the DDA, Port staff's best estimate of rent loss during the period of the Event is \$6.4 million (shown on Table 3 below).<sup>20</sup>

**Table 3: Estimated Payment In-Lieu of Rent**

	FY 11/12	FY 12/13	FY 13/14	Total
Lost Gross Rent	837,254	3,971,763	3,538,341	8,347,358
- Rent From Relocated Tenants	55,621	475,611	407,303	938,535
- Increased Percentage Rents	0	76,391	949,143	1,025,534
= Payment In Lieu of Rent	781,633	3,419,761	2,181,895	6,383,289

Notably, the total lost gross rent is offset during the period by any rents received from tenants who relocate to other Port property (estimated at \$1.0 million based on prior experience in tenant relocation as well as available space), and further offset by the \$1.0 million in anticipated increase in percentage rents resulting from the America's Cup.

#### *Other Costs*

In addition to lost rent, the Port estimates that it is incurring incremental costs due to the 34<sup>th</sup> America's Cup of \$1.46 million for temporary staffing positions, security, and other work<sup>21</sup>, and approximately \$1.1 million for tenant relocation, settlement, and litigation expenses between FY 2011/12 and FY 2013/14, for a total of \$2.56 million. The Port requested these funds from the America's Cup project budget which is anticipated to be supported with private funds raised by the America's Cup Organizing Committee (ACOC) to the extent such funds are available. The ACOC has pledged to raise \$32 million to offset City expenses, \$12 million by the end of 2011, and \$10 million in each following year. During budget deliberations in February of 2012 for the FY 2012/13 and FY 2013/14 budgets, Port staff will update the Port Commission on the availability of ACOC funds to reimburse Port project costs.

<sup>19</sup> Terms in quotations indicate terms defined in the MOU.

<sup>20</sup> Total Payments in Lieu of Rent were previously estimated at \$6.7 million in February of 2011. The reduction to \$6.4 million is largely due to rescheduling the delivery of Port facilities to later dates.

<sup>21</sup> Other work includes temporary parklet improvements along The Embarcadero in 2013, environmental monitoring and media services.



## *Port Capital Costs*

As discussed above, the HVA obligates the Port to perform "Port Work", including demolition of Pier 36, construction of the Brannan Street Wharf, construction of core and shell of the Cruise Terminal, and the relocation of Pier 27 shoreside power. Port staff has previously reported to the Port Commission, the Capital Planning Committee and the Board of Supervisors the costs associated with these major projects, and will continue to provide project budget updates.

The Port requirement to remove Pier ½, a red-tagged, pile supported parking lot to the north of the Ferry Building, arises from the proposed BCDC amendment to the *Special Area Plan for the San Francisco Waterfront* to permit the temporary use of the four Port/BCDC Open Water Basins for berthing of spectator vessels and mooring of racing yachts. The proposed amendment is scheduled for a vote on March 1, 2012.

The Port agreed to assume the responsibility of the proposed Pier ½ removal, because this BCDC public benefit accelerates an existing BCDC requirement to remove Pier ½ concurrent with construction of Phase II of the Downtown Ferry Terminal, currently being planned by the Water Emergency Transit Authority. Port engineers estimate the cost of Pier ½ removal at \$1.2 million. As previously planned, the Port intends to seek Proposition K ½ cent sales tax funding to fund this fill removal project.

In addition, pursuant to the Final Environmental Impact Report ("EIR") for the 34<sup>th</sup> America's Cup and the James R. Herman Cruise Terminal and Northeast Wharf Plaza projects, the Port is required to implement a Pier 70 shoreside power project as an upgrade to Drydock #2 to offset emissions for decommissioning shore power at Pier 27 and other AC34 emissions.

Drydock #2 is currently under lease to BAE San Francisco Ship Repair, Inc. ("BAE"). The Port currently projects that the cost of this project will be \$5.7 million (including \$600,000 for PCB transformer disposal), which will result in annual debt service payments of \$676,000 for ten years. Subject to approval of lease amendment terms with BAE, the Port will charge BAE a \$0.04 per kWh equipment charge to repay the project and the San Francisco Public Utilities Commission will contribute an incentive payment of \$1.5 million based on system performance. Port staff conservatively projects that these sources will support 75 percent of the Pier 70 shoreside power project costs.

### *Authority Capital Costs to Improve Port Property That Will Remain Under Port Control*

HVA Section 6.2 requires the Authority to undertake demolition of the Pier 27 shed and portions of Pier 29, as well as making a contribution to the relocation of shore power at Pier 27 equal to the lesser of relocation costs or \$2 million. During Board of Supervisors deliberations regarding the Host and Venue Agreement in 2010, Port staff previously estimated the combined costs of Pier 27 demolition and relocating shore power at \$7.5 million.





The Port Commission approved Port staff's recommendation to assume the costs of demolishing the Pier 27 shed in order to facilitate the construction timeline for the James R. Herman Cruise Terminal. Through the DDA negotiation and permitting for AC34, the Authority has agreed to assume the following costs associated with sites that will not be under long-term control of the Authority or its affiliates:

**Table 4: Authority Improvements to Property Remaining Under Port Control**

<b>Authority Improvements</b>	<b>Estimate</b>	<b>Notes</b>
Pier 29 End Wall	850,000	Event Authority estimate - excludes Pier 27-29 demolition
BCDC Costs (Pier 19 south apron repair, Pier 64 removal, Pier 23 handrail, shed/fill removal at other locations TBD)	5,200,000	Event Authority cost estimate
Pier 27 Shoreside Power Relocation	2,000,000	Host and Venue Agreement Section 6.2
Pier 29 Substructure	1,000,000	Event Authority cost estimate
<b>Subtotal Remaining Pre-Match Authority Infrastructure Work</b>	<b>\$9,050,000</b>	
<i>General Contractor's Fee, Bonds, Design &amp; Estimating Cont., General Conditions</i>	1,357,500	15%
<b>Subtotal</b>	<b>10,407,500</b>	
<i>Construction Contingency at 10%</i>	1,040,750	
<b>Subtotal</b>	<b>11,448,250</b>	
<i>Soft Costs (incl. development) at 8%</i>	585,860	Excludes design costs for Pier 19 apron. Port had engineering plans for this work. Also excludes design costs for relocating shore power.
<b>Total Authority Improvements to Property That Will Remain Under Port Control</b>	<b>\$12,034,110</b>	

The projects listed above will be reimbursed through Balancing Rent Credits. These Authority improvements to property that the Port will control have a total projected cost that exceeds the \$7.5 million estimate that the Port provided to the Board of Supervisors in 2010.

#### Long Term Development Benefits

The main principle underlying the DDA is that the Authority will provide the City with private investment in public facilities, which the Port will repay through rent free use of specified Port property (see Long Term Development Cost section below). This investment in public property, currently estimated at \$111.3 million, provides for capital improvements to facilities that are not expected to be improved otherwise.

According to Port engineering staff estimates, the current useful life of Piers 26, 28, and 30-32 is less than 15 years. Due to the high costs and low returns from repairing deteriorated substructure of these facilities, the Port has not included improvements to these piers in its FY 2011-2020 Capital Plan (choosing instead to prioritize limited Port resources on piers which are less costly to repair and provide a higher rate of return).





The Port has previously pursued development opportunities at both Piers 30-32 and Pier 26 under its public-private partnership model. At Piers 30-32, San Francisco Cruise Terminal, LLC ("SFCT") and the Port had a fully entitled lease for Piers 30-32 for a mixed use cruise terminal project. The project required state legislation authorizing the pier development program (AB 1389, Assemblymember Kevin Shelley), and a change to residential use on SWL 330 to generate revenues to finance the project. The development of condominiums required a swap of the public trust from SWL 330 to Port land in the southern waterfront. The project secured all entitlement approvals in 2005, but ran into unexpectedly high substructure repair and construction costs of the project. While the condominiums were successfully completed, the revenues generated were insufficient to finance the Pier 30-32 mixed use cruise terminal improvements, and SFCT let its development contract with the Port expire<sup>22</sup>. At Pier 26, the International Women's Museum entered into an exclusive negotiating agreement with the Port in 2003 but terminated after determining that substructure seismic improvement costs exceeded its development budget.

As such, the Event Authority's investment in Piers 30-32 and potentially Piers 26 and 28 (under either Authority Infrastructure Work, or optional Deferred Additional Work discussed above) extends the useful life of these facilities beyond the time which they would otherwise be unusable. While such extended use will not generate rent revenues to the Port in the near term, the public benefit of continued operations at these facilities contribute to the Port's mission to bring activity and commerce to the waterfront, and contribute to the Bay Area economy. Development of these sites, coupled with current Port projects to remove Pier 36 and construct the Brannan Street Wharf, will largely fulfill the objectives of the Port's Waterfront Land Use Plan for the South Beach/China Basin Subarea: if all of these sites are developed, only Pier 40 and Pier 38 remain in the South Beach China Basin subarea as unassigned mixed use development opportunity areas.

The DDA also requires the Authority to vote in favor of the establishment of a Maintenance Community Facilities District over Piers 30-32 and SWL 330, in order to provide a fund for the ongoing maintenance of the new Brannan Street Wharf, starting at \$200,000 annually. The Authority must also vote in favor of a Community Facilities District over Piers 30-32, to pay its fair share toward community facilities that may be required in the future to protect Piers 30-32 against sea level rise.

### Long Term Development Costs

Assuming that the Authority expends more than \$55 million in eligible expenses, the DDA requires the City to reimburse the Authority for its investment in public property by (1) removing the Public Trust from Seawall Lot 330 and transferring ownership of this parcel to the Authority at no cost, (2) a rent-free 66 year lease of Piers 30-32, and (3) through long-term leases of other Port facilities for long term development with rent

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<sup>22</sup> The Port is utilizing the funds from the prior development of a portion of Seawall Lot 330 (the Watermark condominium project) to finance construction of the Brannan Street Wharf, as required by AB 1389, and the James R. Herman Cruise Terminal at Pier 27.



credits commensurate with the Authority's investment above \$55 million. The Authority's investment above \$55 million earns 11 percent interest over the life of the repayment period, which is redeemed by the Authority in the form of rent credits.

The Authority improvements that are eligible for repayment are discussed in detail above. As described above, Port staff has received the Authority's proposed Scope of Work, and the estimate is \$79.2 million pre-Match (2012), and \$32.1 million post-Match (2017)<sup>23</sup>, for a total of \$111.3 million. Should these approved Scopes of Work be constructed for the estimated costs, the Authority would recover the costs above \$55 million through rent credits. The DDA defines several categories of investment for the purposes of reimbursement, with each category of investment reimbursed by a distinct and finite list of Port resources, as shown in the table below.

**Table 5: Value of Rent Credits to the Event Authority**

<b>Type of Work</b>	<b>Exclusive List of Repayment Sources</b>	<b>ACEA Rent Credit Value (2012 NPV at 11%)</b>
"Authority Infrastructure Work" (Capital Investment on Piers 30-32 and Other Improvements to Port Property)	P30-32 for 66 Years	31.0
	SWL 330 Sale	24.0
	IFD Bond proceeds from P30-32 and SWL 330	10.4
	P26 and P28 Interim Rent (Up to 10 Yrs)	11.0
	P29 Interim Rent (Up to 10 Yrs)	4.7
	P29 for 66 Years	7.6
	Residual Rent from P30/32	-
	<b>Total</b>	<b>88.7</b>
<b>Type of Work</b>	<b>Exclusive List of Repayment Sources</b>	<b>ACEA Rent Credit Value (2017 NPV at 11%)</b>
"Additional Work" (Optional Capital Investment on Piers 26 and 28) <sup>24</sup>	P26 and P28 for 66 Years	15.1
	IFD Bond proceeds from P26/28 Development	3.7
	Historical Tax Credits	20.0
	Residual Rent from P26/28	-
	<b>Total</b>	<b>38.8</b>

Note that the values above are not the Port's cost to provide the rent credits, but are the present value of the rent credits that are the repayment source to the Authority discounted at 11 percent per year.

<sup>23</sup> This is a conservative cost estimate, with a 20% contingency, inflated by 4% annually – the recent norm for construction cost inflation.

<sup>24</sup> Under the DDA, the Authority gains exclusive negotiating agreements for long-term marina rights in two locations (Pier 54 and the Brannan Street Open Water Basin) with the Port in exchange for dredging to accommodate spectator vessels. The DDA further provides that the Authority may transfer rent credits to and from Piers 26 and 28 and the marinas (except for Pier 54 substructure costs). The scope of these marinas is unknown. Furthermore, it is not known whether the marinas would receive regulatory approvals from state and federal agencies, including the San Francisco Bay Conservation and Development Commission, the San Francisco Bay Regional Water Quality Control Board and the U.S. Army Corps of Engineers. Port staff therefore deems both the cost of marina development and the value of such marinas too speculative to perform a financial analysis of these rights.





To compare sources of repayment to Authority spending, Port staff calculated the present value of projected Authority Infrastructure Work, pre- and post-Match, utilizing a discount rate of 11% for post-Match spending. The present value of this work is \$88.5 million, compared to a present value of repayment sources of \$88.7 million, as shown in Table 5 above.

**Table 6: Rent Loss as a Percent of Port Revenue**

Long Term Development Site	Space Type	Annualized Commercial Rent*	Percent of Port Revenue**
Pier 26	Shed and Bulkhead		
	Office	1,043,551	1.5%
Pier 28	Shed and Bulkhead		
	Office	611,455	0.9%
Pier 30-32	Open Pier (Parking)	1,004,462	1.5%
SWL 330	Open Land (Parking)	626,779	0.9%
Pier 29***	Shed Space	629,477	0.9%
<b>Total</b>		<b>3,915,724</b>	<b>5.7%</b>

\*Note rent assumes vacancy at average Port level and parameter rents. Current actual vacancy and rents vary.

\*\*Based on FY 11-12 budgeted Port revenues of \$68.9m.

\*\*\*Assumes reduced footprint compared to current shed resulting from Cruise Terminal construction.

Table 6 above shows that permanent rent loss to the Port from development of AC34 long-term development sites represents 5.7% of total current Port revenues. Port staff projects that the majority of these facilities have a limited useful life (9-30 years).

To accurately estimate the cost to the Port, staff calculated the opportunity cost to the Port, or the amount of rent which would have been received by the Port for the remainder of that facility's useful life. The calculations consider the current property value with existing uses, not other potential development opportunities.

The value of the long term development rights to Piers 26, 28 and 29 are also relevant to the opportunity cost to the Port. The Port has commissioned consultant analysis of the potential value to the Port from Piers 26 and 28 from long-term development. The valuations include cost analysis of improving these pier sheds for future use and an assessment of potential development revenues. These studies conclude that the rents expected after renovation of these facilities cannot support the substructure and other costs currently estimated. Analyzing the proposed rent credit structure, these studies conclude that potential rents to the Port do not exceed the \$6 psf rent credit set in the DDA. Based on these assessments the consultant also estimated potential Port returns from development at Pier 29. Though this estimate was less detailed it concluded that \$6 psf represented a fair estimate of value to the Port from a long term development lease at Pier 29.



**Table 7: Port Opportunity Cost**

<b>Type of Work</b>	<b>Exclusive List of Repayment Sources</b>	<b>Port Opportunity Cost (2012 NPV at 6%)</b>
"Authority Infrastructure Work" (Capital Investment on Piers 30-32 and Other Improvements to Port Property)	P30-32 for 66 Years	6.6
	SWL 330 Sale	17.2
	IFD Bond proceeds from P30-32 and SWL 330	-
	P26 and P28 Interim Rent (Up to 10 Yrs)	12.6
	P29 Interim Rent (Up to 10 Yrs)	4.8
	P29 for 66 Years	11.3
	Residual Rent from P30-32	-
	<b>Total</b>	<b>52.5</b>
<b>Type of Work</b>	<b>Exclusive List of Repayment Sources</b>	<b>Port Opportunity Cost (2017 NPV at 6%)</b>
"Additional Work" (Optional Capital Investment on Piers 26 and 28)	P26 and P28 for 66 Years	14.9
	IFD Bond proceeds from P26/28 Development	-
	Historic Tax Credits	-
	Residual Rent from P26/28	-
	<b>Total</b>	<b>14.9</b>

Note that the IFD bond proceeds and Historic Tax Credit ("HTC") sources of repayment have no opportunity cost in the table above because if it were not for ACEA investment, there would be no IFD increment or HTCs available.

For Authority Infrastructure Work, the Port will forgo a present value of \$52.5 million in rent in exchange for race related improvements that make the 34<sup>th</sup> America's Cup event possible in San Francisco, and for long term development of Piers 30-32. For Additional Work, the Port will forgo the expected 15 years of future rent from Piers 26 and 28 (estimated at \$15 million with no capital investment) for the opportunity to redevelop these facilities. The Port's Capital Plan has not allocated resources to Piers 26 and 28 because the costs are higher than expected returns and the Port does not have sufficient net revenues to provide the public subsidy needed to save these historic resources.

As described above, prior to the start of planning for the 34<sup>th</sup> America's Cup, the Port had no plans to conduct capital upgrades to Piers 30-32 and Piers 26 and 28 to extend their useful life.

### Additional Financial Considerations

#### *Buy Out Option*

The DDA contains a provision that allows the Port and the City to pay directly for or purchase improvements above \$55 million if it exercises this option within 180 days of the Authority's commencement of a Guaranteed Maximum Price contract for work eligible for reimbursement.





Port staff recommends that the Port Commission retain the option to "buy-out" the Authority's investment above \$55 million, as a potential means to avoid a scenario wherein Pier 29 becomes a long-term development site under the balancing provisions of the DDA. Port staff expects that the engineering analysis required by the Port in its Scope of Work approval of seismic improvements for Piers 30-32 will be completed by June 2012. If that analysis yields a significantly less costly seismic upgrade solution for Piers 30-32 than the design currently proposed, it may be advantageous for the City/Port to elect to pay above \$55 million.

However, prior to recommending that the Port Commission and the Board of Supervisors exercise any such option, Port staff would consider:

- The Port's cost of funds (*i.e.* the current revenue bond interest rate climate) as compared to the Authority's 11%;
- How close the Authority is to exhausting the finite list of reimbursement sources; and
- The short term and long term rent revenues which would be retained by the Port if Pier 29 returned to Port control.

#### *Debt Capacity*

As shown above, the rent loss to the Port from long term development sites total \$3.9 million annually. This rent loss will result in a reduced capacity for the Port to issue revenue bonds.

In February 2010, the Port issued \$36.7 million in Revenue Bonds in two series - a non-AMT tax-exempt series (Series 2010A) and a taxable series (Series 2010B). The capital projects receiving funding from these bond proceeds include the Pier 27 cruise terminal project, Piers 90-96 backlands, design work for Piers 19-23, Piers 33 and 35, Pier 19 roof replacements, and the Pier 50 valley. When the bonds were sold, the Port prepared five-year projections of its net revenues and debt service, which included the assumption that the Port would be issuing approximately \$59.5 million in additional debt within that five year period (2010-2015). These projections were based on:

(1) \$10 million in net annual revenues, (2) an assumption that all future debt would be tax-exempt and (3) the addition of new revenue sources. The total debt capacity assumed was \$68.8 million.

The current projections estimate \$15.3 million in net annual revenues in FY 2011/12. Based on this, consideration of the need for taxable debt, revised timing and revenue estimates for development projects underway, rent loss from the transfer of long term development rights at Seawall Lot 330 and Piers 30-32, and development options granted at Piers 26, 28 and 29, the Port can issue approximately \$65 million of debt over the next five year period (2012-2017).





The planned uses for the Port's next debt issuance are to: (1) complete Phase I of the Cruise Terminal project and provide financing for Phase II that is recovered through a planned passenger facility charge, (2) finance shoreside power at the drydock on Pier 70 to meet the air quality mitigations for the Cruise Terminal project, and (3) finance projects that retain and enhance existing Port revenues as follows (reflects project proceeds, not par amounts):

- 2012 - \$15.5 million for Phase I for the Pier 27 cruise terminal project;
- 2014 - \$25 million for pier utility projects to preserve existing revenues, and for Piers 19-23, or for other revenue generating projects;
- 2014 - \$4.5 million for Phase II of the Pier 27 cruise terminal project, repaid through a passenger facility charge; and
- 2013-22 - \$676,000 annual loan repayment for a \$5.7 million shore power installation at the Pier 70 drydock. A utility surcharge will support 75 percent of the payment.

#### AB 664

In 2011, the Port of San Francisco worked with the Office of Mayor Ed Lee and Assemblymember Tom Ammiano to obtain AB 664 related to financing improvements required for the 34<sup>th</sup> America's Cup. AB 664 was adopted by the Legislature and signed into law by Governor Jerry Brown.

AB 664 includes a financial test: if the California Infrastructure Financing Bank (I-Bank) finds that the net present value of tax benefits of the 34<sup>th</sup> America's Cup to the State of California exceeds the net present value of proceeds of growth in possessory interest tax from future development of America's Cup Venues on Port property that would otherwise be deposited into the State's Education Revenue Augmentation Fund (ERAF), then the State of California will participate in funding waterfront improvements for the 34<sup>th</sup> America's Cup by allowing the Port to divert up to \$1 million annually from ERAF for a period of up to forty-five years for the following purposes:

- To finance or refinance improvements to the Pier 27 Cruise Terminal;
- To finance additional shore power improvements to port property; and
- Utilizing 20% of available proceeds, to finance legacy improvements to National Park Service, State parks, or San Francisco Recreation and Parks Department lands used as venues for watching the 34<sup>th</sup> America's Cup.

The Bay Area Council Economic Institute and Beacon Economics report "*America's Cup: Economic Impacts of a Match on San Francisco Bay*" estimated tax benefits of the 34<sup>th</sup> America's Cup of \$61 million from 2012-13. The net present value of the 45 year



ERAF share of increment that AB 664 will provide is \$15.5 million (6 percent discount rate).

The Port of San Francisco would not benefit from this ERAF contribution, but for hosting the 34<sup>th</sup> America's Cup. Port staff calculates that AB 664 will be worth \$12.4 million to the Port (80% of the total).

### Key Financial Findings

- With the addition of Seawall Lot 330 and IFD bond proceeds, the agreement provided in the DDA represents a rare opportunity to successfully develop Piers 30-32, Pier 26 and Pier 28 in accordance with the Waterfront Land Use Plan, sites the Port had excluded from its FY 2011-2020 Capital Plan.
- The current DDA treats rent credits in a manner that is much improved over the Host and Venue Agreement, in that it limits the reimbursement of Authority investments to a finite bundle of repayment mechanisms and lease rights. This limits uncertainty surrounding the Port's future obligations under the DDA.
- The current DDA treats rent credits in a manner that is much improved over the Host and Venue Agreement, in that it limits transferability of rent credits among various sites. For instance, rent credits from future development at Piers 26 and 28 may not be transferred to Piers 30-32 or Pier 29, and rent credits arising from Pier 54 substructure repairs are not transferable.
- Providing potential access to up to 50% of the proceeds of the first fifteen years of a subsequent lease at Piers 30-32 and Piers 26 and 28 represents both a departure from long-standing Port policy and a significant new approach to attracting private investment to Port piers that have negative land value. This tool should not be replicated in other Port development agreements unless there is credible market or third-party evidence that a subject Port pier is not a financially feasible development site with other available financial tools.
- Since the Authority has a defined set of repayment options under the final DDA, it shares a financial incentive with the Port to ensure that costs associated with Authority work are contained. The present value of sources of repayment (\$88.7 million) for Authority Infrastructure Work is closely matched to the present value of expected Authority Infrastructure Work expenditures (\$88.5 million).
- The City and the Port should continue to exercise of the Port's Scope of Work approval rights under the DDA, maximizing the future utility of all Authority investments to the reuse of Port properties.
- The sale value of Seawall Lot 330 (as compared with the net present value of rental income from the site) and any proceeds from AB 664 represent new sources of revenue for the Port to pay for waterfront improvements that Port would not have realized but for hosting the 34<sup>th</sup> America's Cup.





- The Community Facilities District assessed against SWL 330 and Piers 30-32 to pay for the ongoing maintenance of the new Brannan Street Wharf provides an independent source of revenue that relieves the Port of the ongoing maintenance and operation costs of this new public open space, including personnel or third-party maintenance costs.
- Balanced with its other waterfront investment needs, the Port's financial position will remain strong if the DDA is approved by the Board of Supervisors, and development at Piers 30-32, Pier 26, Pier 28, Pier 29 and the two marina locations proceeds as contemplated. The present value of the rent streams that the Port will forego to enable this development (or Port opportunity cost) is \$67.4 million.

## **POLICY ANALYSIS**

The economic benefits of hosting the Event to local and regional businesses and workers will be substantial, and will help stimulate the region's recovery from the recent recession and stagnation of job creation.

Fiscal analysis of the AC34 agreements indicates that hosting the Event will require substantial public investment. Port staff offers the following policy analysis to assist the Port Commission, the Board of Supervisors and the Mayor in their respective deliberations:

### **Project Benefits**

- AC34 will establish San Francisco Bay's identity as a world-class venue for the sport of sailing and generate interest in the sport in 2012 and 2013.
- The Event will increase both short-term and permanent public access to the waterfront by providing public viewing opportunities of the America's Cup live racing events at close range from various locations on the waterfront around Central San Francisco Bay, some of which are not currently publicly-accessible.
- The Authority will provide infrastructure and structural upgrades to Port facilities consistent with Port of San Francisco building code requirements and the Secretary of the Interior's Standards for the Treatment of Historic Properties.
- Throughout joint planning efforts, the Authority and the City have emphasized the Bay and natural resource stewardship by incorporating sustainability principles in the planning and management of all race events and operations, including strategies identified in the People Plan and Zero Waste Plan.
- AC34 will generate substantial new demand for the Port's retail and maritime tenants.



- The James R. Herman Cruise Terminal and Northeast Wharf Plaza projects at Pier 27 are the beneficiaries of major public interest in AC34. The City has been generous in its support of these projects and the projects have seen their project timeline substantially accelerated as a result of AC34.
- For Piers 30-32, the substructure and deck repairs conducted by the Authority will improve a facility that is designated as a major development opportunity site in the Port's Waterfront Land Use Plan. Absent AC34 and the opportunity for Authority investment in Piers 26 and 28 after the Match, the Port did not have a meaningful capital plan or land use strategy to save these valuable historic resources.
- The Project includes many refinements and new mitigation measures which substantially reduce the amount and severity of construction and Port operational air emission impacts including installation of shoreside power capability at the Pier 70 Drydock #2 and new stormwater treatment improvements at Piers 30-32.
- AC34 will generate thousands of local jobs leading up to and during the Event.

## **Project Risks**

Some of the risks posed by the Project are unusual for a Port development agreement, and Port staff only recommends assuming such risks in the context of a major international event such as the 34<sup>th</sup> America's Cup. The following are the major risks identified to date by Port staff:

- The projected cost of proposed waterfront improvements substantially exceeds the costs previously estimated by the Authority and the Port.
- The terms of the DDA do not provide the Port financial participation in the future development of Piers 30-32 and Seawall Lot 330, contrary to standard Port development practice and despite substantial public investment in Piers 30-32 in the form of rent credits and IFD proceeds.
- The DDA does not currently apportion the risk of Project cost overruns in a manner that is typical for Port agreements. Usually, the Port and its partner jointly assess project costs and agree on rent and rent credit terms; costs incurred above that amount are usually assumed by the Port's private partner. The final DDA does, however, limit Authority repayment options to a specific list of options, which results in shared interest in containing costs.
- Commencing in 2014, the Port may see a return of 3 to 7 finger piers to Port control. The Port will need to lease these piers in short order to maintain stable revenues in the period after the City's commitment to replace the Port's lost rent ends. To prepare, the Port may be required to make investments in these facilities to ready the facilities for future tenants.



- The improvements for the 34<sup>th</sup> America's Cup may impact the Port's cruise business before and during the race due to temporary loss of cruise berths at Pier 27 and Piers 30-32.

The issues described above are serious public policy considerations. Port staff notes these issues to facilitate a robust public policy discussion and to ensure that the Port Commission, the Mayor and the Board of Supervisors may take final steps to approve the actions needed to facilitate hosting of the 34<sup>th</sup> America's Cup in San Francisco Bay with complete information in hand.

Prepared by: Brad Benson, Special Projects Manager  
Jonathan Stern, Asst. Deputy Director, Planning & Development  
Elaine Forbes, Deputy Director of Finance and Administration

Attachment A: December 16, 2011 staff presentation  
Attachment B: Additional DDA terms  
Attachment C: Scope of Work approval





**Attachment A: December 16, 2011 Port Commission Presentation**



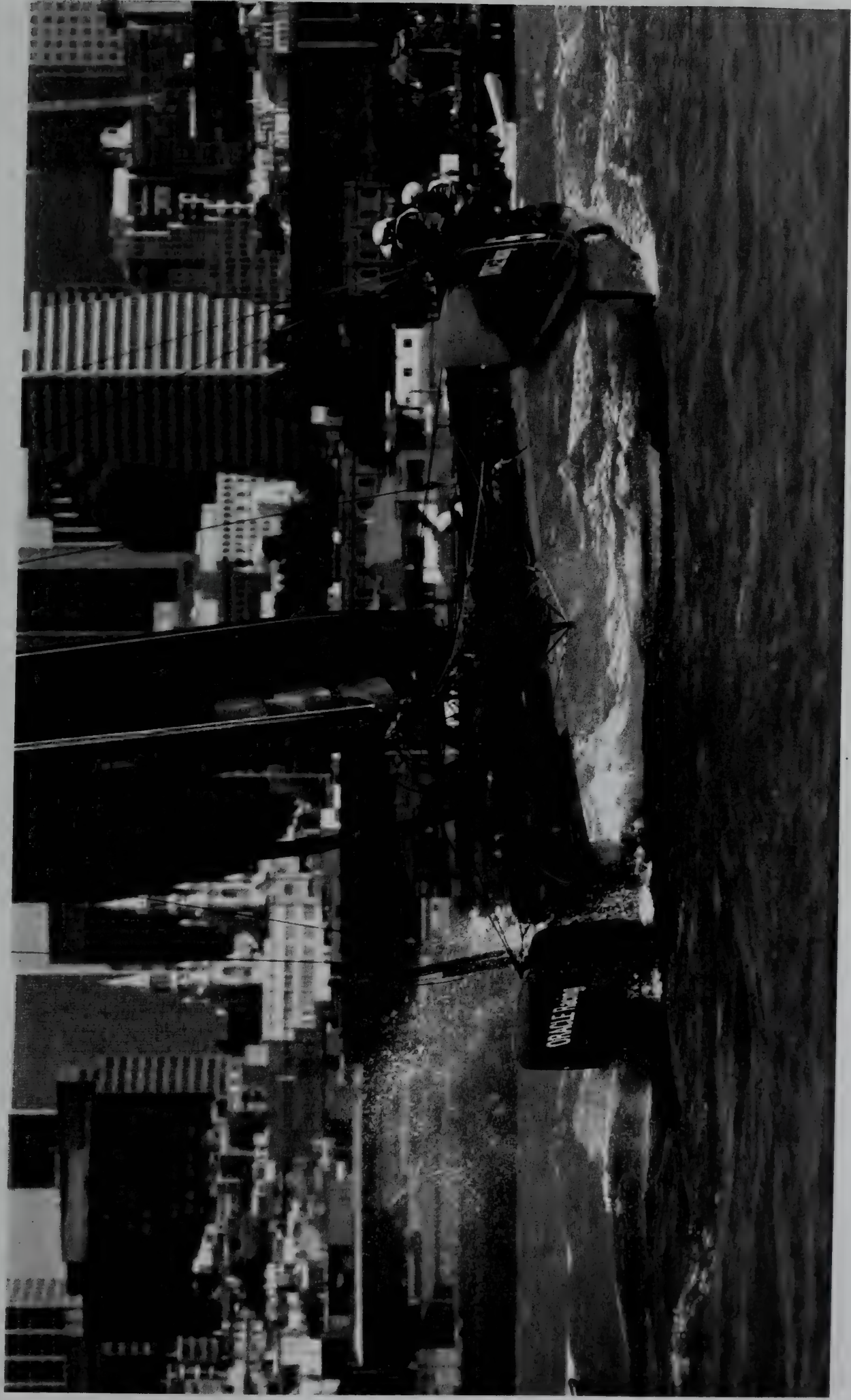
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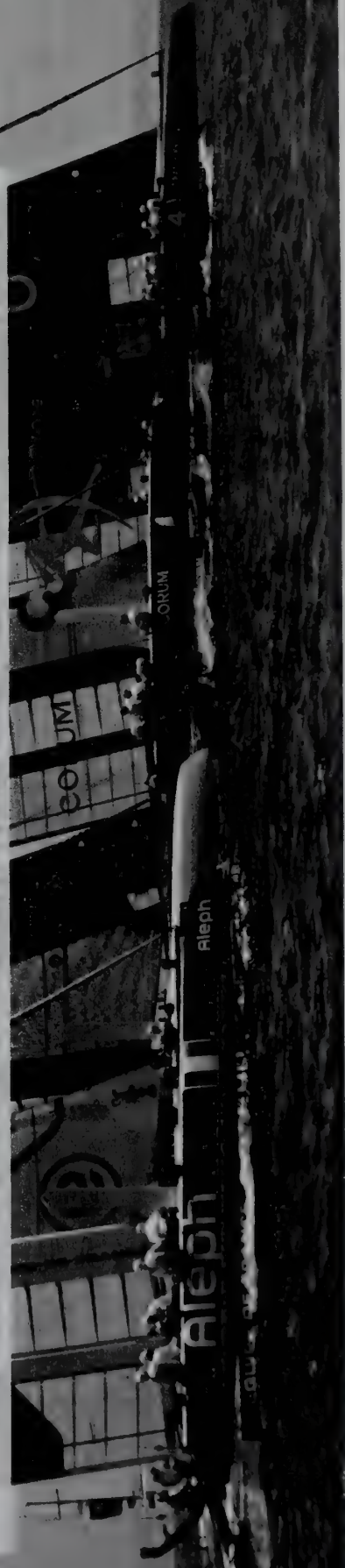
# The America's Cup in San Francisco





# Overview

- Project Overview
- CEQA
- Disposition and Development Agreement
- Scope of Work Approval
- Financial & Economic Analysis
- Policy Analysis & Recommendations

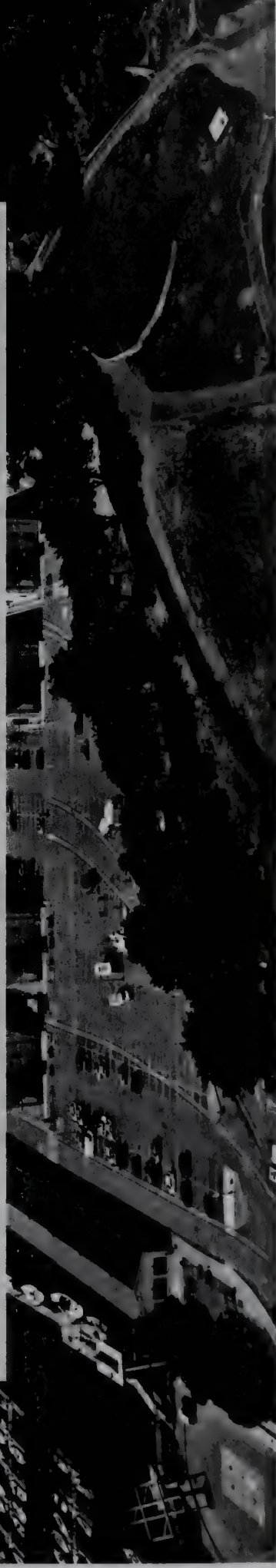






# Event Partners

- City & County of San Francisco
  - CEQA/NEPA, Permits, Implementation Plans
- America's Cup Event Authority
  - Sponsorship and Television
- America's Cup Race Management
  - Landside & on-water event management
- America's Cup Organizing Committee
  - 501(c)3 formed to offset City's host costs
- *Signatories to the Host and Venue Agreement*







# The America's Cup: A Global Event

## AC World Series

Aug 2011 - June 2012

Cascais, Portugal: Aug 6-14

Plymouth, UK: Sept 10-18

San Diego, USA: Nov 12-20

Naples, Italy: April 7-15

Venice, Italy: May 12-20

Newport, USA: June 23-July 1

## AC World Series

Aug 2012 - June 2013

San Francisco, USA:  
August 11-19  
August 27- September 2

Venice, Italy: April

Naples, Italy: May 11-19

Additional  
2012/2013 Dates  
To Be Announced

## San Francisco, USA

July 4 - Sept 1, 2013

Sept 7-22, 2013



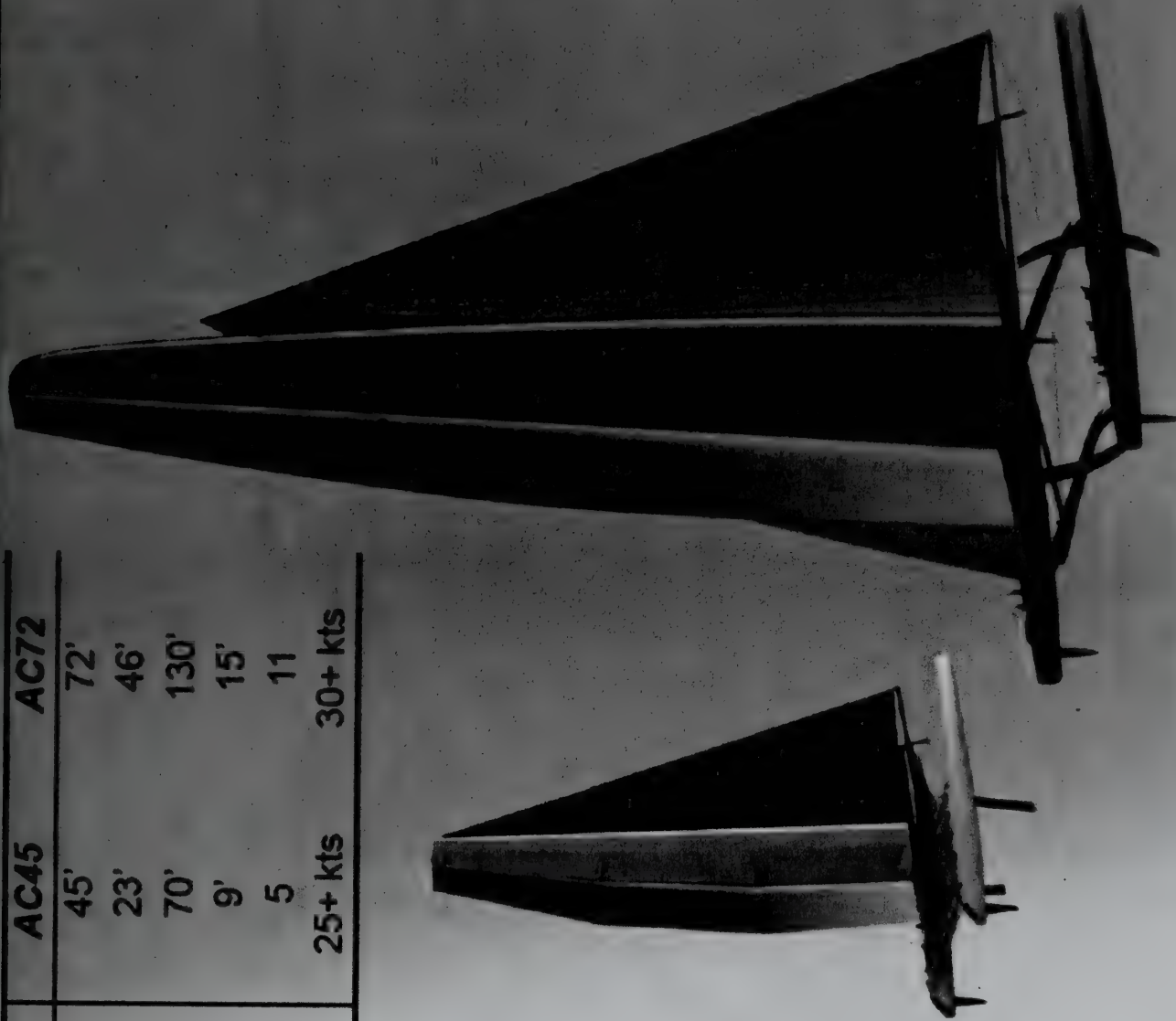
LOUIS VUITTON CUP  
AMERICA'S CUP CHALLENGER SERIES

SAN FRANCISCO 2013  
**34<sup>TH</sup> AMERICA'S CUP**



# AC45 in 2012 vs. AC72 in 2013

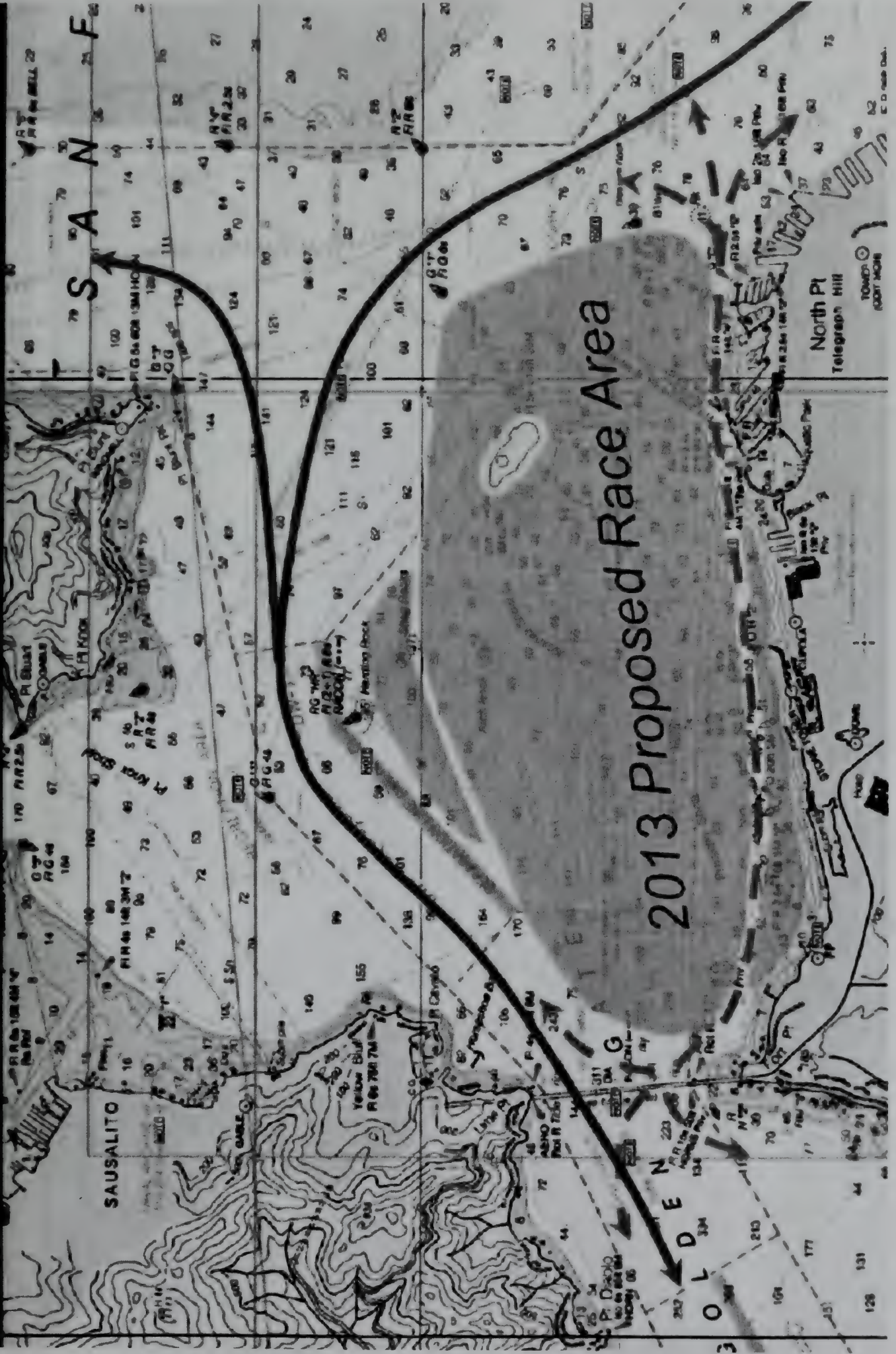
	AC45	AC72
Length	45'	72'
Beam	23'	46'
Height	70'	130'
Draft	9'	15'
Crew	5	11
Speed	25+ kts	30+ kts







# Proposed 2013 Course Area





# Implementation Plans

Table 1: Implementation Plans Available on [www.oewd.org](http://www.oewd.org) Website

Advertising	Posted	Team Base Operations	2012
Ambush Marketing	Posted	Water and Air Traffic	Posted
Parks Event Operations	Posted	Workforce Development	December
People (Transportation)	Posted/Accepted	Youth Involvement	December
Public Safety	Posted	Zero Waste	Posted
Sustainability	Posted		





# California Environmental Quality Act

- **Publication:** The FEIR, with Comments and Responses and project updates, was published on December 1
- **Certified:** The Planning Commission voted to certify the EIR on December 15 by a vote of 5-0
- **Appeal:** A 20 day appeal period runs from Planning Commission certification
- **Findings:** Based on the analysis in the FEIR, the Port Commission must select a project by adopting CEQA findings for the project prior to taking any further steps related to the proposed project





# Changes through CEQA (cont.)

- **Findings:** As described in the EIR and CEQA Findings, the 34<sup>th</sup> America's Cup Project has been refined.
- **Project Changes:** Changes were made in response to:
  - ✓ Adjustments learned from race events
  - ✓ Authority and America's Cup Race Management commitments to clean vessels and equipment
  - ✓ Other Project refinements
  - ✓ DEIR information about environmental effects
  - ✓ comments from the public, organizations, and regulatory agencies, and through the City interagency coordination.
- **Process:** The process has been very rigorous and open. Port staff believes that a better Project has emerged from the process.



# Changes through CEQA (cont.)

Changes include the following:

- **Reduced Construction:** elimination of wave attenuators, reduced floating docks and reduced construction to prepare Event Venues;
- **Bay Views:** reduced temporary spectator yacht berthing in the Rincon Point Open Water Basin, and no permanent marina, to preserve Bay views from Rincon Park;
- **Aquatic Park:** revisions to screen viewing of events in Aquatic Park, to preserve areas for swimmers, kayakers and recreational water users;
- **Embarcadero:** provisions to acknowledge a reduced scope of vehicle lane closure along The Embarcadero to manage transportation demand; and
- **Air Quality:** new, additional mitigation measures to reduce the severity of significant air quality impacts.





# California Environmental Quality Act (cont.)

- **Pier 70 Shore Power:** FEIR includes a mitigation measure requiring a new shoreside power installation at the Pier 70 Shipyard, managed by BAE Systems, San Francisco Ship Repair (“BAE”).
- **Construction Schedule:** Subject to final agreement, construction of this measure would start in early 2012.
- **Benefit:** The new shoreside power facility will enable BAE to provide electrical power to passenger cruise, military, cargo and other industrial maritime vessels, dramatically reducing air emissions from Pier 70 before and after the Event.



# California Environmental Quality Act (cont.)

CEQA Findings describe:

- **The Project** being approved and its environmental impacts
- Required mitigation measures to be implemented in a **Mitigation Monitoring and Reporting Program**
- **The FEIR alternatives** to reduce or avoid Project impacts
- **Reasons for rejecting** FEIR alternatives
- **Overriding considerations** for approving the Project

The changes and refinements incorporated in the Project for approval represents the environmentally superior program of all studied in the FEIR



# California Environmental Quality Act (cont.)

**Port staff recommends adoption of the project including:**

- the current AC34 Event Plan;
- reduced construction activities and enhanced mitigations;
- a reduced development footprint that does not include Piers 19, Piers 19½ and 23; and
- revised marina locations that address concerns raised by the Bay Conservation and Development Commission.





# Port Commission Approvals

- CEQA findings and mitigation monitoring program
- Disposition and Development Agreement for AC34 venues (DDA)
- Form of Venue Leases and Licenses per DDA (early 2012)
- Transfer Agreement for Seawall Lot 330 (2012, subject to General Plan referral)
- Tenant Relocation Plan
- Resolution of intent to form a Port Infrastructure Financing District (IFD)
- Phase 1 construction items related to the Pier 27 James R. Herman Cruise Terminal project



# Form of Venue Lease

The following business terms have been negotiated between Port staff and the Authority, subject to approval in early 2012:

**Term:** The Venue Leases are short-term leases covering the period leading up to the Event and up to 6 months thereafter.

**Commencement Date:** Occupancy of various Port facilities:

March 1, 2012                      Pier 30-32

June 1, 2012                      Piers 26, 28, 30-32, 19, 19½, 23, 29½

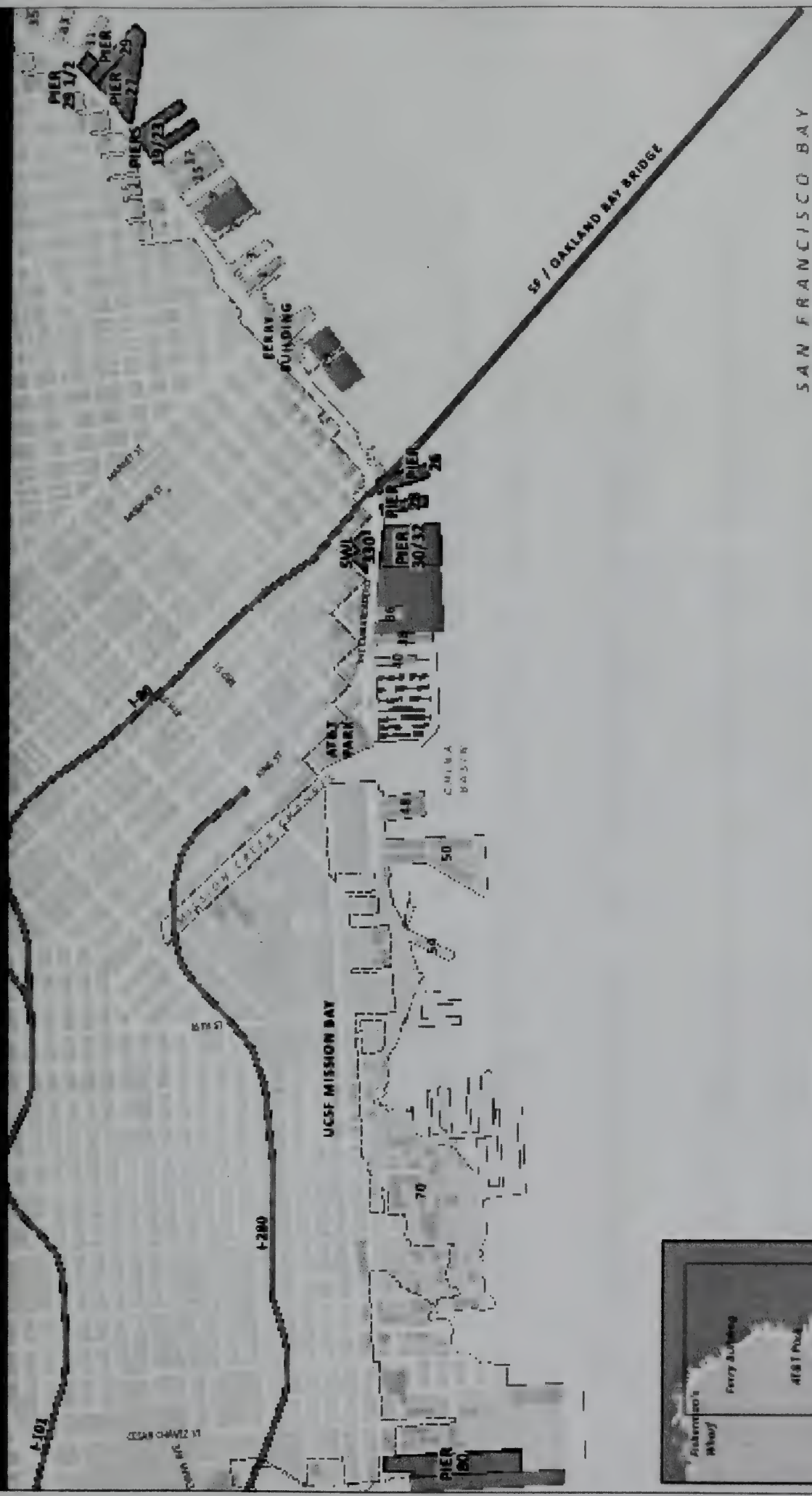
December 31, 2012              Seawall Lot 330

March 1, 2013                      Piers 27-29





# Venue Lease Premises



**ATTACHMENT - LEASE PREMISES SITE PLAN**

34th America's Cup

PORT OF SAN FRANCISCO

0 50 100 Feet

SAN FRANCISCO

PORT OF SAN FRANCISCO



# Development and Disposition Agreement (DDA)

The DDA is subject to approval by the Port Commission and the Board of Supervisors. Key purposes of the DDA are to:

1. set forth the **Authority obligations** to improve Port property for the Event,
2. govern Port review and **approval of scopes of work** for pre-Match and later improvements to Port property,
3. govern conditions for **Port delivery of the Venues**, and
4. set forth the means to **reimburse the Authority** for its **improvements** on Port property.



# DDA – Port Required Work

**Table 1: Required Port Work**

<b>Pier 36 Removal</b>	January 1, 2013 (U.S. Army Corps of Engineers)
------------------------	--

<b>Brannan Street Wharf</b>	June 1, 2013
-----------------------------	--------------

<b>Relocate Pier 27 Shore Power</b>	2012
-------------------------------------	------

<b>James R. Herman International Cruise Terminal – Pier 27</b>	March 1, 2013
--	---------------

The Port will have a limited right to use Pier 27 for cruise ships between March 1 and May 31, 2013, subject to the Authority's sole discretion.





# DDA – Authority Work

Table 2: Authority Infrastructure Work and Additional Work

## Authority Work

### Description

#### Authority Infrastructure Work

Authority Infrastructure Work (AIW) is comprised of certain pre-Match work performed by the Authority:

- Piers 30-32 work required to stage the Event;
- Demolition of the Pier 27 shed, and portions of Pier 29 (Port will undertake);
- \$2 million for relocation of shoreside power;
- Regulatory Conditions of Approval; and
- MMRP mitigation measures compliance.

#### Additional Work

Additional Work consists of dredging to accommodate spectator vessels and substructure strengthening improvements to Piers 26 and 28.



# DDA – Authority Work

Table 2: Authority Infrastructure Work and Additional Work (cont.)

Authority Work	Description
----------------	-------------

Deferred Authority Infrastructure Work	Deferred AIW consists of work at Piers 30-32 that may be deferred for up to 10 years after the Venue Lease for Piers 30-32 expires.
--	---

Deferred Additional Work	Deferred Additional Work consists of Piers 26 and 28 work that may be constructed up to 10 years after the Match.
--------------------------	---

All Other Work	The Authority may also undertake other work it deems necessary for the Event at its own expense.
----------------	--





# DDA – Long-Term Development Rights

Table 3: Authority Long-Term Development Rights

<b>Piers 30-32 Legacy Lease</b>	<b>Rent-Free 66 Year Lease:</b> Subject to \$55 Million pre-Match expenditure, Authority gains a rent-free 66-year lease of Piers 30-32, subject to approval of a Public Trust-consistent use program by the Port, the Board of Supervisors and the State Lands Commission.
---------------------------------	---

**10 Year Option Period:** The Authority will have 10 years after the Match to enter a DDA and Lease, subject to future CEQA analysis, and to complete a seismic upgrade at Piers 30-32 for future development.



# DDA – Long-Term Development Rights

Table 3: Authority Long-Term Development Rights (cont.)

## Piers 30-32

**Legacy Leases (cont.)** **Cost Recovery:** Costs not recovered through the rent-free lease and fee title to SWL 330, along with all other pre-Match Authority Infrastructure Work, will generate rent credits with 11% annual interest repaid via:

- IFD bond proceeds from Piers 30-32 and SWL 330;
- Piers 26 & 28 interim leases at parameter rents;
- Pier 29 long-term lease at \$6 psf as escalated to lease commencement; and
- If needed, a financial participation of up to 50% of the proprietary lease revenues from the first 15 years of a subsequent lease of Piers 30-32.





# DDA – Long-Term Development Rights

Table 3: Authority Long-Term Development Rights (cont.)

**Seawall  
Lot 330**

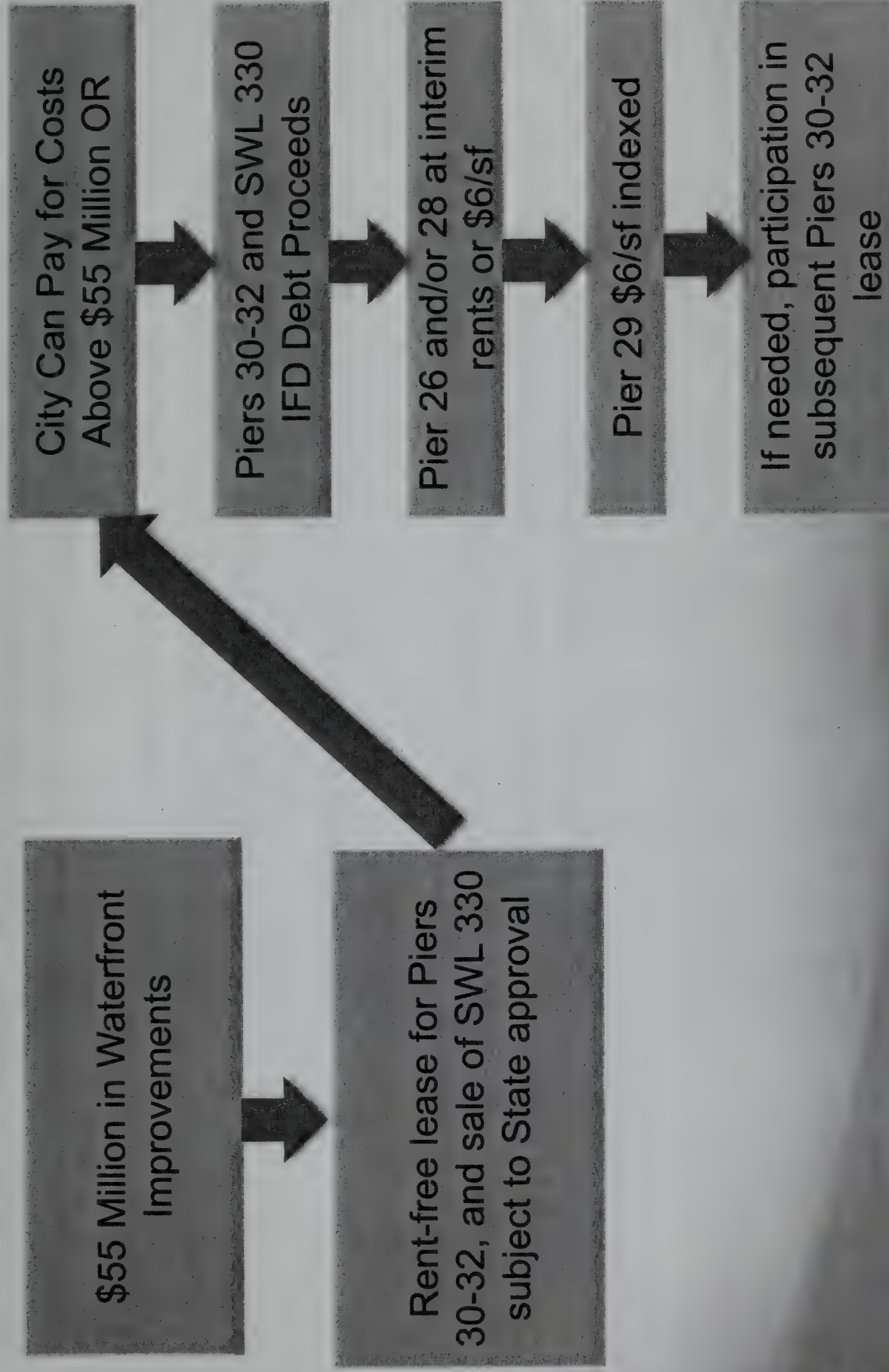
**Fee title:** SWL 330 fee title is transferred to the Authority through a transfer agreement subject to performing pre-Match Authority Infrastructure Work equal to or greater **\$24 million**.

**Future CEQA and Approvals:** Future development will be subject to CEQA analysis and other City approvals, and final approval action by the California State Lands Commission, but no further Port approval.





# Basic Deal Summary





# DDA – Long-Term Development Rights

Table 3: Authority Long-Term Development Rights (cont.)

## Piers 26 and 28 Legacy Option Leases

**Long-term Leases:** Authority may obtain Piers 26 and 28 long-term leases at any time until 10 years after the Match, if the Authority performs Piers 26 and 28 substructure work.

**Cost Recovery:** Piers 26 and 28 post-Match substructure work repaid by:

- Rent credits at **Piers 26 & 28 base rent of \$6 psf**, subject to lease escalations (with market reset after 30 years or use of all rent credits) – see next page;





# DDA – Long-Term Development Rights

Table 3: Authority Long-Term Development Rights (cont.)

## Pier 29 Lease

**Long-Term Lease:** A long-term lease at \$6 per gross building sf escalated until lease commencement and interim use at parameter rents if required to reimburse Authority Infrastructure Work.

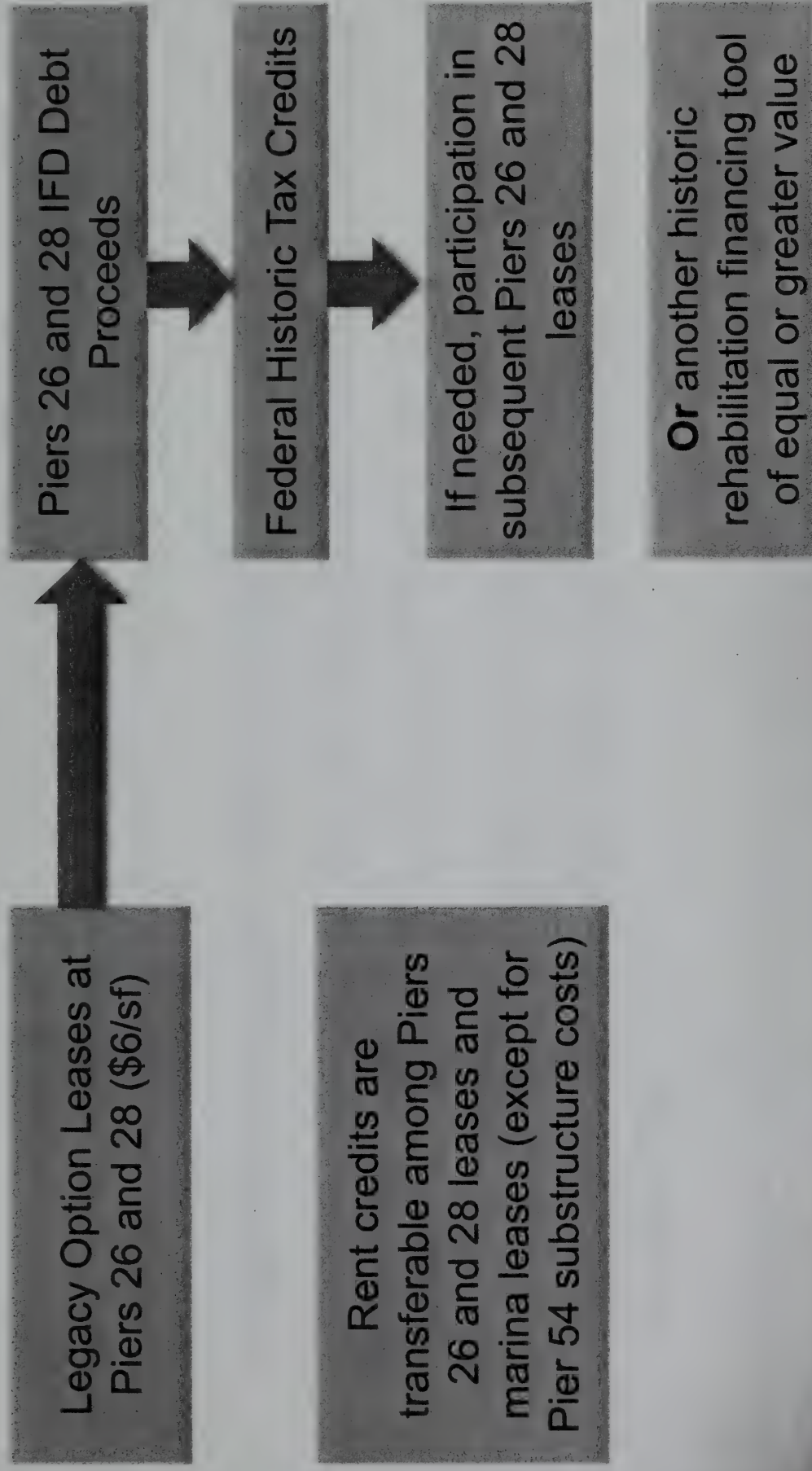
## Marina Leases

**ENA:** Exclusive negotiating agreements to obtain long-term marina leases in the following areas:

- Pier 54 including the water area around Pier 54, with rent credits for spectator yacht dredging around Piers 14 North and South and Pier 54 substructure improvements, subject to a 66 year commercially-reasonable lease starting no sooner than 5 years after the Match and no later than 10 years.
- The Brannan Street Open Water Basin, in exchange for dredging for spectator vessels pre-Match.



# Basic Deal Summary (cont.)





# Board of Supervisors Approvals

- Approve a resolution of intention to form an IFD
- Adopt AC34 and James R. Herman CEQA Findings
- Approve the DDA, with specific proposed development and use at each future development site subject to further analysis pursuant to CEQA
- Approve various work plans required pursuant to the HVA, e.g., the People Plan, Workforce Plan, Zero Waste Plan
- Approve IFD financing plan and form IFD





# Scope of Work Approval

Port staff recommends approval or conditional approval of Authority Infrastructure Work, with at least 30% plans and cost estimates:

- **Structural improvements to Piers 30-32, with water and wastewater utilities and partial seismic upgrade** based on further, refined seismic analysis, peer-reviewed by Port 3<sup>rd</sup> party engineer
- **Piers 30-32 Stormwater Control Plan** still pending review by Water Board
- **Pier 27 Stormwater Control Plan, Pier 29 pile repairs and new Pier 29 end wall**



## Scope of Work Approval (cont.)

- **BCDC-related costs** including Pier 64 fill removal, Pier 19 south apron repair, and Pier 23 handrail
- **Dredging** at Pier 9, Piers 14 North and South, and Pier 28 south. Conditional approval of dredging at Piers 32-36, subject to further determination of actual dredging need.
- **Regulatory requirements** imposed by 1) FEIR mitigation measures, and 2) permits issued by any Regulatory Agency.
- **Soft costs** for this work include direct costs of developing design and engineering plans for this work.
- **Estimated pre-Match costs of \$74 million.**





## Scope of Work Approval (cont.)

The post-Match seismic upgrade of Pier 30-32 is conditionally approved, based on:

- A requirement that the code-compliant design is produced based on a non-linear time history **seismic analysis**, subject to peer review by a Port 3<sup>rd</sup> party engineer, or another mutually agreed approach
- If mapped as a **flood hazard**, the Authority obtains flood mapping designations that permit mixed use development
- **Soft costs** for this work include direct costs of developing design and engineering plans for this work.
- **Estimated post-Match costs of \$31 million.**



# Financial Analysis

Consistent with the Port Staff Report, negotiations to apportion these costs have been ongoing until recently.

- The staff report analyzes a different agreement;
- Port Finance Staff find that the proposed agreement is as good as or better than the proposed terms analyzed in the Staff Report.
- Port staff will publish a revised financial analysis for consideration by the Board of Supervisors Budget Analyst and will revise the Port Staff report to reflect the new agreement.



# Financial Analysis – (cont.)

**Table 4: Port Opportunity Cost  
Based on Parameter Rent of Existing Facilities**

Land Value		
Seawall Lot 330		\$24,000,000
Lost Rent Streams (Projected Useful Life)		Present Value of Parameter Rent for Useful Life
Piers 30-32 (10 years)		8,568,265
Pier 26 (15 years)		12,831,584
Pier 28 (15 years)		7,518,499
Pier 29 (30 years)		12,708,161
Pier 54	No appreciable rent loss expected	
<b>Total</b>		<b>\$65,626,509</b>

Infrastructure Financing District Debt Proceeds at all sites and the value of federal historic tax credits at Piers 26 and 28 will depend on the appraised value and eligible costs of future development proposals.





# Policy Analysis – Project Benefits

- **San Francisco World-Class Sailing:** AC34 will establish San Francisco Bay's identity as a world-class venue for sailing in 2012 and 2013.
- **Public Access:** The Event will increase both short-term and permanent public access to the waterfront by providing public viewing opportunities of the America's Cup live racing events.
- **Port Infrastructure Upgrades:** The Authority will upgrade Port facilities consistent with the Port building code and the Secretary of the Interior's Standards for the Treatment of Historic Properties.
- **Port Tenants:** AC34 will generate substantial new demand for the Port's retail and maritime tenants.



# Policy Analysis – Project Benefits (cont.)

- **Environmental Stewardship:** The Authority and the City have emphasized the Bay and natural resource stewardship in the planning and management of all race events and operations.
- **Port Priorities:** AC34 has helped to accelerate the James R. Herman Cruise Terminal and Northeast Wharf Plaza.
- **Waterfront Land Use Plan:** The Authority will improve Piers 30-32 that is designated as a major development opportunity site in the Port's Waterfront Land Use Plan.
- **Jobs:** AC34 will generate thousands of local jobs leading up to and during the Event.





# Policy Analysis – Project Risks

- **Cost Increases:** The projected cost of proposed waterfront improvements (\$105 million) substantially exceeds the costs previously estimated by the Authority and the Port.
- **No Financial Participation:** The terms of the DDA do not provide the Port financial participation in the future development of Piers 30-32 and Seawall Lot 330, contrary to standard Port development practice.
- **Property Re-leasing Risk:** Commencing in 2014, the Port may see a return of 3 to 6 finger piers to Port control. The Port will need to lease these piers to maintain revenues after the City's backfill of the Port's lost rent ends. To prepare, the Port may be required to make investments in these facilities to ready the facilities for future tenants.



# Recommendations

- **Approve the Project**, as modified through negotiation and the CEQA process.
- **Authorize Port staff to develop a plan of finance for Port-funded improvements for Port Commission consideration.**
- **Approve the DDA:** Forward the DDA to the Board of Supervisors for its consideration in early 2012.



# Appreciation

Port staff wishes to thank the Port Commission, City staff, state and federal agency, and the America's Cup Event Authority and Race Management for their help, commitment, and expertise.







## **Attachment B: Remaining Terms of Development and Disposition Agreement**

This Attachment provides a summary of the terms of the proposed Development and Disposition Agreement ("DDA") that are not outlined in the staff report. A copy of the DDA is on file with the Port Commission Secretary.

### Construction Scope of Work/Construction Documents

The DDA has provisions governing construction documents and Scopes of Work, including:

- The Port must approve any new Scopes of Work and any amendments to previously approved Scopes of Work
- Deferred Additional Work (Piers 26-28) will be determined under a separate Scope of Work agreed-upon at time of the applicable Long-Term DDA/Long-Term Lease;
- The Port has approval over construction documents in its proprietary and regulatory capacity, but its scope of review is limited to whether the plans are consistent with codes and regulations and previously approved Scopes of Work and plans, and the Port must exercise approval in its reasonable discretion, subject to arbitration provisions; and
- The Port must approve construction documents within 30-days of submittal.

### Provisions Governing Construction

The DDA has provisions governing Authority construction activities, including:

- The Authority must submit quarterly financial reports to provide the Port with a good faith estimate of its Authority Infrastructure Work costs (the Investment Value Estimate), based on its Guaranteed Maximum Price (GMP) contracts and costs incurred to date of report;
- The Authority will invite the Port to weekly progress meetings and will disclose anticipated cost and Scope of Work changes at such meetings;
- Within 60 days after the DDA is signed, the Authority will provide the Port with a statement of the Authority's Pre-Development Costs (all pre-DDA soft costs related to the Event);
- Within 45 days after the end of the first full calendar quarter after the DDA effective date, the Authority will provide the Port with estimated costs for the Scopes of Work approved on December 16, 2011; the Authority must continue to submit monthly reports with updates on its estimated costs;



- The Authority must provide the Port with evidence of availability of funds to complete the improvements;
- The Port will have 5 days after the Authority submits any cost update to object to any item that the Port believes is not within an approved Scope of Work or is commercially unreasonable, with disputes subject to arbitration;
- After the Port has issued the first building permit for a Scope of Work, the Authority will submit monthly reports showing any changes in the estimated costs and anticipated change orders;
- At earliest feasible opportunity (including weekly progress meetings), the Authority will share with Port any requests for change orders or changes in project schedule or Scope of Work, and changes that would result in any line item exceeding 10% of estimated budget;
- For any anticipated changes that would increase estimated budget, the Authority will consult with the Port to discuss cost-containment and value-engineering measures;
- The Authority will provide the Port with 30-days' notice before negotiating GMP contracts for the Scopes of Work, to allow Port ability to obtain its own cost estimates;
- The Port must review bid packages and approve changes in any previously approved Scope of Work, including review of cost increases;
- The Authority will provide a Completion Guaranty of its obligations to perform required Authority Infrastructure Work, Regulatory Conditions of Approval, and Authority Mitigation Measures, but if the DDA terminates, the obligations will be limited only to any surviving improvement obligations and the obligation to restore a particular Venue to in a condition as good as when it was delivered;
- The Authority's Completion Guaranty may also be used to secure the \$24 million in Authority Infrastructure Work that is a pre-condition to actual fee transfer of Seawall Lot 330;
- The Authority and the Port will establish final Project Costs to determine Investment Value as follows:
  - Within 60-days after effective date of DDA, the Authority will provide a statement of all pre-development costs;
  - Within 120 days after completion of each Scope of Work, the Authority will furnish an itemized statement certified by its CFO or an independent CPA of all Project Costs; and





- The Port has right to audit the Authority's books and records regarding its "Certified Project Costs" for each Scope of Work, and the Authority must pay the Port's audit costs if the audit concludes that the Authority has overstated its Project Costs by more than 5%;
- The Authority will meet construction-related insurance requirements, as set by the City Risk Manager; and
- The Authority will adhere to a Workforce Development Plan, including City requirements such as First Source Hiring and prevailing wages, for all construction work.

### Casualty/Risk of Loss

If casualty (earthquake, fire or other major property damage) occurs to any Venue pre-delivery, the Port has the obligation to provide functionally equivalent site. If it occurs pre-delivery for a Venue with major construction, and any required repair is less than \$500,000, the Authority must still accept premises and repair costs are subject to reimbursement. However, if the casualty occurs before delivery of the Venue and repair costs exceed \$500,000, either party has the option to terminate the DDA as to the damaged Venue without obligation to the other party. The Authority may elect to accept delivery of a Long Term Venue or, for a Short Term Venue, require the Port to deliver a functionally-equivalent alternative Venue. If the Authority accepts the damaged Venue, the Port will be obligated to pay for repair costs above \$500,000 up to the limits of the Port's available insurance proceeds.

If a casualty occurs after the Port has delivered a Venue that would give the Authority the right to terminate the applicable Venue Lease or Venue License and impair the Authority's ability to hold the Event, the Authority will have the right to terminate the DDA in its entirety, and will be entitled to reimbursement for its investment. The Authority's sources of recovery will be limited to insurance proceeds (including any FEMA funds), plus parking revenues from an interim lease of Piers 30-32 and a long-term lease of Piers 30-32, or a share of IFD proceeds from any future third-party development of Piers 30-32. 11% interest on investment will accrue during any repayment period.

### Defaults and Remedies

The DDA provides for the following Authority defaults and remedies:

- If the Authority fails to make a payment that is not cured within 30 days, the Port may reduce the Authority's rent credits by the unpaid amount;
- If the Authority fails to comply with Workforce Development Plan, the remedies are limited to those described in that Plan;



- If the Authority's Guarantor fails to perform or falls below a net worth threshold and Authority doesn't replace the Guaranty within 30 days, the Port may terminate the DDA; and
- If the Authority fails to comply with any other of its obligations under the DDA and the default is not cured within 30-days, or the Authority is not diligently pursuing a cure, the Port may terminate the DDA or pursue an action for specific performance and damages.

Where an Authority Event of Default could materially impair the Authority's ability to stage the Event in the City or impair its long-term development rights, the Authority may cure the default by paying to the Port the amount of damages that the Port has incurred due to the default.

The DDA provides for the following Port defaults and remedies:

- If the Port fails to deliver a Venue or functionally-equivalent space acceptable to the Authority when required, the Authority may terminate.
- If the Port fails to perform any other obligation and the default remains uncured within 30-days or can't be cured within 30-days, the Authority may terminate the DDA or pursue an action for specific performance or damages.

#### Dispute Resolution

The DDA provides for an expedited arbitration procedure in place for certain disputes, including:

- Whether a work of improvement is a Regulatory Condition of Approval;
- In the event of a casualty occurring to a Venue before its Delivery, whether the cost of repairs would add more than \$500,000 to the Estimated Scope of Work Cost;
- Approval or Disapproval of Construction Documents and related matters;
- Conflicts between Project Requirements and other Governmental Requirements;
- Whether a space offered by the Port in lieu of a Venue is considered functionally equivalent;
- Whether or not an item is within the Approved Scope of Work; and
- Whether the Port has failed to issue a Temporary Certificate of Occupancy.





## **Attachment C: Scope of Work and Port Approvals**

### **Authority Infrastructure Work – Pre-Match Scope of Work Requirement**

Based on the Port's review of the proposed Scope of Work and associated cost estimates, including review by the Port's third-party engineering consultants of key elements, the Port finds that the Event Authority has met the requirements of Section 6.5 of the Host and Venue Agreement to identify a minimum scope of work for the Authority Infrastructure Work with an estimated cost of \$55 million to be constructed before the Match.

This Scope of Work approval applies to work proposed by the Event Authority that is contemplated in the Final Environmental Impact Report for the 34<sup>th</sup> America's Cup and the James R. Herman Cruise Terminal and Northeast Wharf Plaza, and is in the process of being reviewed and permitted by the U.S. Army Corps of Engineers, NOAA Fisheries Service (NOAA Fisheries), the California Department of Fish & Game, the San Francisco Bay Regional Water Quality Control Board (RWQCB), the San Francisco Bay Conservation and Development Commission, and the Port.

The Scope of Work approval is conditioned on receipt of permits required for the proposed work, and submission of 30% designs and cost estimates for the work proposed. The Disposition and Development Agreement provides a mechanism for the Event Authority to propose modifications to the proposed Scope of Work and to propose new work at one or more Venues, either before or, at designated Venues, after the Match.

### **Authority Infrastructure Work Proposed Scope of Work and Port Approvals**

The Event Authority proposes to conduct the following Authority Infrastructure Work before the Match, pursuant to Section 6.2 of the Host and Venue Agreement:

#### **Pier 30-32 Improvements**

**Event Authority Proposed Scope of Work:** The Event Authority proposes to make a number of temporary and permanent improvements and repairs to Piers 30-32 to support full access and team base operations.

The proposed improvements include:

- A permanent infill structure to raise the existing depressed valley (approximately 3'6" deep) between Piers 30 and 32 to provide a level surface throughout the Pier. The infill structure will consist of a reinforced concrete slab and beam system supported on short (approximately 2 feet high) columns, which are located directly over existing piling.





- Permanent roadways along the eastern, northern, southern perimeter and in the new infill area at the center for emergency vehicle access, truck delivery, and 300 ton truck crane access for team base erection.
- Pads for tower cranes along the southern edge of the Pier 32 to launch and retrieve vessels.
- Most of the Piers 30-32 deck and supporting piles (except for roadways and crane access areas) will be repaired as required to support 250 PSF live load and light vehicles (H10 loading with maximum wheel load of 8 kips) and loads associated with moving racing vessels around on wheeled cradles. Roadways areas will be strengthened to support HS20 Truck loading. Crane access areas will be strengthened to support crane loads.
- Seismic strengthening of the Piers 30-32 substructure, including separating the piers from the marginal wharf by creating a seismic joint between the two structures. The creation of seismic joint will require about 39 new 18" diameter concrete piles (this number could be as high as 45 subject to final determination by the Port's Chief Harbor Engineer) to support marginal wharf. The seismic strengthening of Piers 30-32 will involve installation of 42-6 foot diameter steel piles in groups at four locations with a concrete cap beam at each location.

Based on a detailed investigation performed, approximately 25% of the older concrete caisson piling is deteriorated due to environmentally induced corrosion and wave action. These piles will be repaired by installing a new reinforced concrete jacket extending from the pile cap to the seabed (with formwork left in place). A number of piles will receive crack repairs such as epoxy injection or concrete patching at the top near their connection to the beam and slab deck. No more than 10 existing piles in deteriorated condition will be replaced in their entirety.

Portions of the substructure deck framing will be repaired or replaced as needed. Selective demolition of the existing deck is required to drive the piles and a new concrete beam and deck system will replace any demolished areas.

### Utilities

Piers 30-32 currently has a working water meter and a number of small diameter water lines along the south edge of Pier 32 and in the center depressed area. A new 4" ductile iron water line from an existing 8" main in the Embarcadero will be installed under the deck slab to the center depressed area where the 4" line will be below new raised deck slab in the "crawl space."

The on-site sewer collection and conveying system includes 3" force mains under the team support module to a package lift station located at the center of team bases between Team Bases 5 and 6. From the package lift station, the sewage will be pumped through a new 4" force main through the center depressed area and on to an existing pump station where the station will be equipped with duplex vertical turbine



pumps that each alone has the sufficient capacity to discharge the sewage through an existing below-deck, 4" force main to the City gravity system in the Embarcadero. New hangers will be installed to support the 4" force main.

Post-construction BMPs will be installed as part of the deck infill/replacement project to provide additional protections to water quality. The Event Authority will install shallow treatment filters along a significant portion of these piers. The intent will be to maintain the existing grades and install shallow treatment filters at several existing storm drain inlets. The shallow treatment filters are typically granular activated carbon and debris filters with replaceable cartridges.

Stormwater management features will be constructed consistent with the San Francisco Stormwater Management Guidelines will be installed in coordination with the San Francisco Public Utilities Commission (SFPUC) as detailed in a Stormwater Control Plan.

#### Soft Costs and Regulatory Requirements

Soft costs for this work include direct costs of developing design and engineering plans for this work. Regulatory requirements include all mitigation costs directly associated with these construction activities imposed by 1) mitigation measures in the Final Environmental Impact Report for the 34<sup>th</sup> America's Cup Events and the James R. Herman Cruise Terminal; and 2) permits issued by any Regulatory Agency.

**Port Approval:** The Port approves all deck and non-seismic structural improvements to Piers 30-32, except as noted below, subject to final approval of a Stormwater Control Plan for the site.

Please provide the following revisions to the AECOM proposed structural alteration plan for Pier 30-32:

1. Consider deleting the requirement for structural alteration for drainage leveling of approximately 18,000 square feet on the south side of Pier 30-32, adjacent to the crane lift area and north of the originally proposed south access roadway location. Demonstrate the minimum leveling needed from an operational standpoint and consider a non-structural paving solution.
2. The 30% structural alteration seismic trigger as per Port Building Code Section 3404.7 is assumed to be exceeded. Perform a non-linear response history (time-history) analysis using past earthquake events as suggested by the BCDC Engineering Criteria Review Board.

The Port conditionally approves the proposed forty-two (42) 6 foot steel seismic piles, or any portion thereof, as well as the proposed seismic joint, if required to meet Port Building Code's seismic requirements. The Event Authority shall continue to consult with the Chief Harbor Engineer about methods to meet seismic code requirements. Regardless of whether the full forty-two (42) pile seismic pile upgrade and the seismic





joint are constructed pre-Match, this work shall be deemed Authority Infrastructure Work if constructed within five years after the Match.

The Port approves water and wastewater utility upgrades. Approval of stormwater improvements is subject to final approval of a Stormwater Control Plan.

The Port approves all regulatory requirements, including all mitigation costs directly associated with these construction activities imposed by 1) mitigation measures in the Final Environmental Impact Report for the 34<sup>th</sup> America's Cup Events and the James R. Herman Cruise Terminal; and 2) permits issued by any Regulatory Agency.

Please submit details regarding soft costs. Legal costs are not eligible as reimbursable costs.

### **Pier 27-29 Improvements**

**Event Authority Proposed Scope of Work:** The Event Authority proposes to make permanent upgrades and repairs to make the following improvements to Piers 27-29:

1. Repair 11-40 piles with reinforced concrete jackets.
2. Construct new Pier 29 shed east/corner wall consistent with Secretary of the Interior's Standards for Treatment of Historic Properties.

Construct a new east/corner wall for Pier 29, separated from the existing walls of the shed by a shallow reveal, distinguishing the new construction from the historic structure.

**Port Approval:** The Port will undertake demolition of the Pier 27 and 29 sheds, along with the Pier 27 Annex Building to facilitate coordination with cruise terminal construction and site staging. The Port approves all other proposed work, subject to final approval of Stormwater Control Plan for the site.

The Port approves all regulatory requirements, including all mitigation costs directly associated with these construction activities imposed by 1) mitigation measures in the Final Environmental Impact Report for the 34<sup>th</sup> America's Cup Events and the James R. Herman Cruise Terminal; and 2) permits issued by any Regulatory Agency.

Please submit details regarding soft costs. Legal costs are not eligible as reimbursable costs.

### **Piers 32-36 Brannan Street Wharf Open Water Basin**

**Event Authority Proposed Scope of Work:** To provide sufficient water depth for boat clearance, dredging and pile removal will be conducted within the Piers 32-36 Open Water Basin. Approximately 110,000 cubic yards (cy) of sediment will be dredged from this area. This total consists of a portion of dredging at a depth of approximately -15 feet Mean Lower Low Water (MLLW); plus a -2 feet for overdepth allowance. The sediment



will be characterized and tested for multiple disposal options through the Dredged Material Management Office (UASCE, EPA, BCDC, RWQCB, SLC, state and federal wildlife agencies), which agencies make sediment suitability determinations through the sediment sampling and testing process. Piles will be removed, including the portion of piles beneath the mudline, to the extent feasible.

**Port Approval:** The Port approves dredging and pile removal in the area immediately to the south of Pier 32 in an area sufficient to provide access by AC72 catamarans to the proposed cranes along the south face of Pier 32, and to provide access to any large spectator vessels that will moor along the south face of Pier 32. The portion of this work related to mooring and access for large spectator vessels shall be deemed as Additional Work for purposes calculating Marina Rent Credits and for triggering the Event Authority's long-term marina rights in this area.

The Port conditionally authorizes dredging and pile removal in the area proposed for mooring of the AC72 catamarans in the Piers 32-36 Brannan Street Open Water Basin. The Event Authority shall use reasonable efforts to limit the proposed dredge to serve the number of AC72 catamarans that will actually be competing (and thus require mooring locations). To the extent that fewer mooring locations are required, the Event Authority will reduce the proposed dredge area by moving the southern boundary of the dredge to the north, first eliminating the portion of the proposed dredge under the former footprint of Pier 36. The Port will coordinate with the Event Authority to request that America's Cup Race Management survey the competing teams prior to the proposed dredge to determine minimum dredge depth requirements. The Port will provide final approval of the remainder of this proposed dredge no later than June 1, 2012.

The Port approves all regulatory requirements, including all mitigation costs directly associated with these construction activities imposed by 1) mitigation measures in the Final Environmental Impact Report for the 34<sup>th</sup> America's Cup Events and the James R. Herman Cruise Terminal; and 2) permits issued by any Regulatory Agency.

Please submit detail regarding soft costs. Legal costs are not eligible as reimbursable costs.

#### **Pier 19 Apron Repair and Pier 23 Handrail**

**Event Authority Proposed Scope of Work:** To fulfill BCDC public access requirements for the Event, repair the Pier 19 south apron. This work consists of replacing up to 74 new bearing piles. The work also includes demolishing and disposing 2,800 square ft. of rotted decking and stringers and replacing with new. 702 linear feet of cap beams will also be replaced. Install a permanent 760 lf handrail along the Pier 23 north apron.

**Port Approval:** The Port approves all regulatory requirements, including Pier 19 repair and the Pier 23 handrail, and all mitigation costs directly associated with these construction activities imposed by 1) mitigation measures in the Final Environmental





Impact Report for the 34<sup>th</sup> America's Cup Events and the James R. Herman Cruise Terminal; and 2) permits issued by any Regulatory Agency.

Please submit details regarding soft costs associated with construction of the Pier 23 handrail. The Port paid for soft costs associated with Pier 19 south apron repair and provided these designs to the Event Authority. Legal costs are not eligible as reimbursable costs.

**Pier 64 Pile Removal and Caspian Tern Replacement Nesting Platform and Pier 1/2 Pile and Deck Removal**

As a proposed public benefit associated with the proposed use of areas designated by the Bay Conservation and Development Commission and to mitigate for fill and habitat impacts associated with the RWQCB and the NOAA Fisheries Service permitting, the Event Authority proposes to remove Pier 64 near Mission Rock. This pier consists of a collection of remnant piles adjacent to the Mission Bay Bayfront Park encompassing approximately 234,250 square feet of water area.

It is possible the proposed fill removal at Pier 64 could result in the loss of approximately 1,500 sq ft platform used by Caspian terns. As part of the proposed fill removal project, to the Event Authority will create a 1,500 sq ft bird platform that can withstand 100-year base flood conditions and sea level rise to 2050. The platform would require approximately 8 - 16" concrete or steel piles (approximately 12 sq ft of replaced permanent fill). This platform will be a net legacy improvement for Caspian terns since the existing platform is dilapidated and likely would not hold up much longer.

**Port Approval:** Consistent with discussions with the RWQCB and other resource agencies, the Port approves the proposed Scope of Work, subject to the Event Authority's agreement to implement a comprehensive approach for removing piles at both Pier 64. Specifically, the preferred method of removal will be removal of piles through vibratory extraction, followed by direct pull, clamshell removal and cutting, as necessary based on site-specific investigations, consistent with the approaches identified in the Subtidal Habitat Goals Report to remove piles.

The Port approves all regulatory requirements, including Pier 64 removal and a replacement Caspian Tern nesting platform, and all mitigation costs directly associated with these construction activities imposed by 1) mitigation measures in the Final Environmental Impact Report for the 34<sup>th</sup> America's Cup Events and the James R. Herman Cruise Terminal; and 2) permits issued by any Regulatory Agency.

Please submit details regarding soft costs. Legal costs are not eligible as reimbursable costs.





## **Additional Work Pre-Match**

**Event Authority Proposed Scope of Work:** The Event Authority proposes to conduct the following Additional Work before the Match, pursuant to Section 6.7(a) of the Host and Venue Agreement:

### **Piers 28-30 Water Basin**

To accommodate sponsor and spectator boats, dredging will be necessary on the south side of Pier 28 to achieve a depth of - 12 ft MLLW. Approximately 5,000 cy of sediment will be characterized and tested for various disposal sites through the DMMO regulatory process.

### ***North of Pier 14 and Piers 14-22½ Rincon Point Open Water Basin***

To accommodate temporary berthing of spectator and Event sponsor vessels, dredging north and south of Pier 14 to a depth of - 12 ft MLLW. Approximately 24,000 cy will need to be dredged and disposed of through the DMMO regulatory process.

### **Pier 9**

To accommodate spectator vessels, dredging a depth of -12 ft MLLW. Approximately 10,000 cy will need to be dredged and disposed of through the DMMO regulatory process.

**Port Approval:** The Port approves the proposed dredging subject to approval by the Dredged Material Management Office. The southern boundary of the dredge proposed in the Rincon Point Open Water Basin shall be to the north of the northern boundary of Rincon Park to preserve open water views for the public.

The Port approves all regulatory requirements, including all mitigation costs directly associated with these construction activities imposed by 1) mitigation measures in the Final Environmental Impact Report for the 34<sup>th</sup> America's Cup Events and the James R. Herman Cruise Terminal; and 2) permits issued by any Regulatory Agency.

Please submit detail regarding soft costs. Legal costs are not eligible as reimbursable costs.





# **SAN FRANCISCO PORT COMMISSION**

**FEBRUARY 14, 2012  
MINUTES OF THE SPECIAL MEETING**

GOVERNMENT  
DOCUMENTS DEPT

FEB 24 2012

**MEMBERS, PORT COMMISSION  
HON. DOREEN WOO HO, PRESIDENT  
HON. KIMBERLY BRANDON, VICE PRESIDENT  
HON. FRANCIS X. CROWLEY  
HON. LESLIE KATZ  
HON. ANN LAZARUS**

SAN FRANCISCO  
PUBLIC LIBRARY

**MONIQUE MOYER, EXECUTIVE DIRECTOR  
AMY QUESADA, COMMISSION SECRETARY**





# CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

## MINUTES OF THE MEETING FEBRUARY 14, 2012

### 1. CALL TO ORDER / ROLL CALL

Commission President Doreen Woo Ho called the meeting to order at 2:06 p.m. The following Commissioners were present: Doreen Woo Ho, Francis X. Crowley, and Ann Lazarus. Commissioner Kimberly Brandon arrived at 2:10 p.m. Commissioner Leslie Katz arrived at 2:15.

### 2. APPROVAL OF MINUTES – January 20, 2012

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor; the minutes of the January 20, 2011 meeting were adopted.

### 3. PUBLIC COMMENT ON EXECUTIVE SESSION

### 4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor.

At 2:11 p.m., the Commission withdrew to executive session to discuss the following matters:

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. **\*This session is closed to any non-City/Port representative.**
  - a. Property: AB 4052; 4111, Lots 3 and 4; 4110, Lot 1; 4046, Lots 1 and 2; also known as Pier 70 Master Plan Area, located near the intersection of 20<sup>th</sup> Street and Illinois  
Person Negotiating: Byron Rhett, Deputy Director, Planning and Development  
\*Negotiating Parties: Equity Community Builders, LLC: John Clawson, Principal; Build Inc.: Lou Vasquez, Partner; and UP, a to-be-formed non-profit: Lou Vasquez, Founding Partner  
\*Negotiating Parties: Orton Development, Inc.: J.R. "Eddie" Orton III, President



(2) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED LITIGATION MATTER (Discussion & Action)

- a. Discuss anticipated litigation matter pursuant to Section 54956.9(b) of the California Government Code and Section 67.10(d) of the City and County of San Francisco Administrative Code.

  X   As Defendant        As Plaintiff

**5. RECONVENE IN OPEN SESSION**

At 3:27 p.m., the Port Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Brandon made a motion to adjourn executive session and reconvene in open session; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon made a motion not to disclose any information discussed in executive session. Commissioner Lazarus seconded the motion. All of the Commissioners were in favor.

**6. ANNOUNCEMENTS:** The Port Commission Secretary announced the following:

A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting

Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

B. Announcement of Time Allotment for Public Comments

Please be advised a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

**7. EXECUTIVE**

A. Executive Director's Report: Executive Director Monique Moyer reported the following:

- Jasper Rubin, CWAG member, recently released his new book *Negotiated Landscape: The Transformation of San Francisco's Waterfront since 1950*





Monique Moyer - This great new book is called *A Negotiated Landscape: The Transformation of San Francisco's Waterfront since 1950*. I'm about halfway through it, and it really is quite interesting. The book picks up on the Port as we came out of WWII. The global logistics supply chain changed modes to containerization from bulk and break bulk cargo, which the Port of San Francisco was built for. The Army and the Navy, which had occupied most of the Port's property, had left, and the rebirth of the waterfront was upon us. It brings us all the way into my tenure with the Port, so it's fairly recent. It takes a really good, hard look at the factors that have driven development along the waterfront, and the creation and the import of the Waterfront Land Use Plan as a discussion point, but not necessarily a recipe for success or failure.

Some of the chapters are very well named, but it goes into what it calls the absence of plans, the 1950s and 1960s, in local hands, new pressures of the 1970s, which would be when Fisherman's Wharf came into being the way we know it today and questionable results, the Northern Waterfront in the 1970s and 1980s, and then a Waterfront Planned in the 1990s and a new millennium. A lot of names that you all would know as part of the leadership of the city and/or the Port over this timeframe are featured in this book.

The book was written by a gentleman named Jasper Rubin, a PhD, and is currently an assistant professor at San Francisco State University. He is in the department of Urban Studies. He formerly was an employee of the San Francisco Planning Department, where he served as a lead planner in the Central Waterfront Plan, hence his knowledge of the Port's waterfront. He's also a current member of the Port's Central Waterfront Advisory Committee.

Jasper prepared his dissertation on the development of the Port of San Francisco from the 1950s to the present, worked at the time and subsequently with a whole bunch of different Port staff to take a look at numerous waterfront development proposals. Prior attempts to build cruise ship terminals are featured in this book as an example. Another example is the world trade center that was supposed to be a 30-story tower is featured in the book; Pier 39 and how that came to be on the heels of this negotiation.

It is a book that we hope to be able to help distribute on his behalf, as well as bookstores throughout the city will be carrying it soon, including the bookstore in the Ferry Building. The book costs \$45 but for those of you who are obsessed with land-use politics in San Francisco, this is a great book to read.

- Aquarium of the Bay presents "An Evening of Sailing Films" – 6 p.m., February 24, 2012 at Bay Theater, Pier 39 Beach Street at Embarcadero

An Evening of Sailing Films, an interesting new evening of entertainment at the Aquarium of the Bay will be held on Friday, February 24. The Aquarium of the Bay has a theater adjacent to the entrance to the Aquarium of the Bay known as the Bay Theater at Pier 39. They will be showing a variety of different shorts, animations, full-length feature films, and documentaries by both foreign





and domestic filmmakers. There will be breathtaking footage of racing and cruising journeys across the seven seas by adventure seekers and explores of all ages. It sounds like a very fun event. Tickets are currently on sale through their website, [aquariumofthebay.org](http://aquariumofthebay.org). We wish them great success and are happy to see something that is so focused on sporting in the bay.

- Pier 45 Drainage Improvement Project a Success

The Pier 45 drainage improvement project was a resounding success. We are actually quite happy about this. The project's name is Pier 45 Clean Beaches Initiative, which we have called the Pier 45 drainage improvements project. This project was grant-funded with money from the American Recovery and Reinvestment Act, also known as the stimulus bill. We received \$1.5 million, and we used these funds to construct processed water and storm water management improvements to the Pier 45 fish processing center. Those improvements, one, capture and treat water generated during fish boat unloading, and capture and treat the wash-down water and storm water from the pier areas at the fish processing center. The project was completed. The construction aspects were completed some time ago, but we then monitored water quality for one year in the vicinity of Pier 45 at Aquatic Park. There are very healthy levels of oxygen in the water now as a result of the project, and a decline in concentrations of bacterial contaminants. We're very pleased with the results of this project and our ability to have secured stimulus funding to do it.

- Heron's Head Park

The Heron's Head park project is going to begin construction as early as next week. That project is part of the Blue Greenway and received some funding from the 2008 general obligation bond measure, known as the Parks Bond. Those new park improvements will include a contained dog run and associated lighting, a new meadow and pathways, picnic and seating areas, as well as other amenities. Construction is going to start next week. It's going to cause a little bit of inconvenience for park users, but the result will be worth it, and we'll be back to tell you all about it.

8. **CONSENT** – The Commission Secretary announced that Item 8F will be taken off the Consent Calendar so that staff can present the correction to Item #2 of the policy.

- A. Request authorization to award Construction Contract 2757, Pier 50 Valley Substructure Repair Project, to West Bay Builders, Inc., in the amount of \$1,333,640, and authorization for a contract contingency fund of 10% of the contract amount (or \$133,364), for a total authorization not to exceed \$1,467,004. (Resolution No. 12-06)
- B. Request authorization to advertise for Competitive Bids for Construction Contract No. 2756, Pier 50D Emergency Power Modifications Project. (Resolution No. 12-07)



- C. Request authorization to award Construction Contract 2726, Brannan Street Wharf Project, to Dutra Construction Co., Inc., in the Amount of \$13,537,800, and authorization for a contract contingency fund of 10% of the contract amount (or \$1,353,780) for unanticipated contingencies for a total authorization of up to \$14,891,580. (Resolution No. 12-08)

Veronica Sanchez, speaking on behalf of the Masters, Mates, and Pilots - I want to congratulate the staff for bringing Brannan Street Wharf to this wonderful point of construction. We've been waiting for a long time for this, and special kudos goes to Dan Hodapp, and the engineering team. I rise to speak on this item because we want to make sure that the tugs that will be used for this project will certainly be manned by union crews. We've had a very successful history of working with Dutra Construction on other Port projects, and all their Bay Area projects, and we would hope that they would contract with good union employers. You have a tenant here at the Port of San Francisco, Westar Marine, one of our best employers on the Bay. Although the decision regarding which tugboat company to use hasn't been made, we look forward to insuring that our captains are able to have an opportunity to work the tugs on this job. That information wasn't available as of today, but I wanted to put that on the record as an expectation that we look forward to. We congratulate the Port for bringing this project to this point.

- D. Request authorization to award to: (1) BAE Urban Economics, Inc.; (2) Economic & Planning Systems Inc.; (3) Keyser Marston Associates Inc.; and (4) Seifel Consulting Inc., a contract for as-needed real estate economics and related consulting services, each in an amount not to exceed \$500,000. (Resolution No. 12-09)
- E. Request approval of a resolution supporting the California High-Speed Rail Project and pledging to work with the California High-Speed Rail Authority and other regional governing entities to promptly implement this project, and supporting Caltrain's electrification as a means to make the regional rail system compatible with high speed rail while designing it to be compatible with the Port's current and future freight rail needs. (Resolution No. 12-10)
- G. Request approval of amended Lease No. L-15004 with Bauer's Intelligent Transportation, Inc., for a ten year lease of Office, Shed and Yard space at Pier 50, Sheds A & C (Resolution No. 12-12) and endorsement of Executive Director's letter to Bauer's Intelligent Transportation, Inc., dated January 30, 2012, which among other things, commits not to facilitate the Port's exercise of its rights under Section 4.2(a) of the Lease No. L-15004 before July 30, 2015. (Resolution No. 12-13)

ACTION: Commissioner Lazarus moved approval; Commissioner \_\_\_\_\_ seconded the motion. All of the Commissioners were in favor. Resolution Nos. 12-06, 12-07, 12-08, 12-09, 12-10, 12-12, and 12-13 were adopted.





- F. Request approval of the Policy for Zero Waste Events and Activities restricting the sale, use, and distribution of certain plastic bags, plastic water bottles, plastic food ware and the release of balloons. (Resolution No. 12-11)

Rich Berman, Port Real Estate - This was a consent item, and we found a mistake in the policy today. The way it was written in the resolution that you received from February 9<sup>th</sup>, it restricted the sale of single-use plastic bottles that contained carbonated water, sodas, or sports drinks, and the intent was to restrict the sale of single-use plastic bottles that contained water only. The exemption applied to the bottles that had the soda, and the carbonated water, and alike so that's the correction. It does give me the opportunity to let you know that the National Park Service just recently adopted a similar ban in Grand Canyon. It's clearly the direction that public agencies are going.

Commissioner Katz - I'm thrilled about the policy, so thank you for that. I appreciate the corrections. It does seem like it's common sense, or at least more practical for people. I did want to take this opportunity to note that there are these new sort of reusable almost like baggies that can be clipped to belt loops or whatever that we should take a look at, that we could provide -- it could even include the Port logo -- and make that available to people so that they can use it to fill up, and it would be very easy for people to carry these reusable new versions of renewable bottles, if you will. I meant to bring one today and I left it in my car.

Commissioner Lazarus - Why do we not just end it by saying the prohibition applies only to single-use plastic bottles that are used for water?

Rich Berman - We might have had that. There was a request for some clarification, and I botched that but that's a very simple way of doing it.

Commissioner Lazarus - I can just see somebody else figuring out some other beverage that somehow is excluded, or included, or whichever, and it seems to me if you just end it by saying water, that the rest of it is self-explanatory.

Monique Moyer - You could make that motion if you'd like. Would you take that correction?

Rich Berman - We can accept that correction.

Commissioner Lazarus - To me, it just seems clearer. The sentence would read, this prohibition applies only to single-use plastic bottles that are used for water, period.

Commissioner Katz - Just to clarify on that because you're going to get into the issue of carbonated versus non-carbonated water so I would make a friendly amendment that the prohibition includes bottles that are used for non-carbonated water. Does that make sense?



Rich Berman - It does but not to be hasty or complicate this further, there are flavored waters out there as well.

Commissioner Lazarus - I guess the question is what are we banning?

Commissioner Woo Ho - Are we banning unflavored, non-carbonated water?

Rich Berman - Unflavored, non-carbonated water and the intent is that any bottle that has simple water that can be replaced with tap water would be prohibited.

Commissioner Woo Ho - Shall we accept that motion - non-flavored, non-carbonated water?

Commissioner Lazarus - I'll accept the friendly amendment.

Monique Moyer. For the record, the sentence will read, this prohibition applies only to single-use plastic bottles that are used for non-carbonated or non-flavored water.

Commissioner Woo Ho - I know this is the first step. Obviously water is the primary culprit here. In terms of where this continues to develop because there are other plastic bottles out there and I understand we want to take a first step, is there any further thought in terms of how this policy could eventually evolve?

Rich Berman - With respect to bottles, not at the moment, because the issues around selling and profiting from other products that aren't readily available -- one of the premises here is that you have a reasonable alternative for water. You do not currently have a reasonable alternative for these other products. There has been some consideration but we haven't addressed it internally. There are folks who would like to see an absolute ban, regardless of size, on balloon releases, things like that. There is opportunity for pushing this further, but at the moment, we don't have anything in development.

Ruth Gravanis - I'm actually speaking as an individual, but it's hard to only wear one hat at a time sometimes. I'm very pleased to support this event's policy. As I said at the December meeting, I was very excited to see it, and I'm very appreciative of all the work of Port staff and the Department of the Environment staff on this. I also support the amended version. As has been said, back in December we were looking at a policy that only applied to events of 15,000 or bigger. I'm very happy to see that number reduced to 5,000. When you think about 5,000 people and the potential for 5,000 balloons being released, and 5,000 single-serve bottles being distributed, it's still pretty scary, and it's still a long way from our zero-waste goals. Even if every one of those plastic bottles ends up in the appropriate blue bin, we still have a serious carbon footprint involved with the manufacture and the transport of those bottles and the idea that we have this source of water that can come here by gravity, and we're instead undergoing all of these carbon emissions to bring the water to the site. I don't want to delay this at all. I think we should go ahead and pass it today. I do hope





that it stays on your agenda very, very soon to make it a lot stronger than it is, to reduce the number from 5,000 possibly down to 0 for things like balloons, maybe not to 0 for the plastic bottles because you still do need to deal with hydration. There are more and more companies out there that can provide filling stations at a low cost. Events, organizers such as Outside Lands have voluntarily provided water at their events, ways for people to refill their reusable water bottles. That's a direction I hope we can move in sooner rather than later.

ACTION: Commissioner Crowley moved approval as amended; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 12-11 was adopted

## 9. FINANCE & ADMINISTRATION

### A. Informational presentation on the Port's Biennial Operating Budget for Fiscal Years 2012/13 and 2013/14.

Elaine Forbes, Deputy Director of Administration and Finance - Today I'm joined by Meghan Wallace, the Port's budget manager, as well as financial analyst throughout the Port, Nate Cruz in Real Estate, Marilyn Yeh in Maritime, Jamie Hurley in Planning and Development and John Woo, our fiscal officer. As is practice, we start with the annual operating budget, with a review. So you're able to review the details, ask questions, provide input, and then we return this time on the 28<sup>th</sup> for your final review and recommendation of the proposed budget.

Many of you are familiar with the process, but for the benefit of the public and for newer members, how the practice works, once you approve the budget, we transmit the budget details to the city's controller. The city controller balances the budget. It goes then to the mayor's budget office for review. In May, they transmit over to the Board of Supervisors. The Board of Supervisors has one to two hearings whereby they do additional reductions or changes to the budget. It's finally adopted in July, and then we come back and report on any changes.

This time, unlike the two last years where you've had the two-year biannual budget, this is a true two-year budget. What you approve for fiscal year 2013/14 will stand. We've enjoyed the two-year budget process because it has allowed us to plan, but we've also enjoyed the flexibility of coming back the next year and making changes. This is new for us, so we will be treating the budget presentation today, and you'll notice in your budget memo, looking a lot at changes from prior commission action, because next year we will just come with a supplemental. That supplemental appropriation is to reflect changes above 5% from projected expenditures and revenues. It will be an incremental look, and we will just be using a supplemental appropriation for incremental changes.

One of the reasons the city is going to a fixed-year budget cycle is because it really wants to turn its attention to the five-year financial plan. In the off year, the city and the commissions will look at their five-year financial plan and will make decisions to identify trends and craft solutions to reverse negative trends, and





link the overall forecast to the budget, to the business and operating priorities in the organization.

Last year we did participate and created a financial plan. We're planning to update that five-year look, and we'll come back to you with it on the February 28, 2012. While it's not an official year to update that forecast, we think it would be useful for you to see the wider trends that this first two-year budget leads to for years three, four, and five. I would like to note that with the disillusionment of the redevelopment agency, there may be budget changes that the city family will implement, and it will take place in the mayor's review of the budget, presented to the board in May. I don't have a sense for you today of what impacts that will have to our budget, but we will be coming back to you to report on any impacts that that may produce.

I wanted to step back to the five-year we produced last year, because there are some policies underlying this two-year budget that reflect what we identified in that five-year trend. That five-year trend showed operating deficits growing in year three, four, and five to \$1.5 million, and a decreasing contribution to our capital program, basically as a result of our revenues not growing as fast as our expenditures, which was very similar to the overall city trend.

In our five-year forecast, and throughout looking at our organizations, we have a lot of strengths in our financials. We have diversity of revenues and business lines, and that certainly carried us through the recession and has provided a relatively constant source of revenues for us. You've also adopted, under the leadership of executive director Moyer, some very good financial policies. The rating agencies comment on these policies, and we're seeing results from that. That includes the 15% operating reserve and the debt service coverage never below two times net revenues.

We also have some weaknesses, limited sources for capital. We also have growing costs on the personnel side, which we cannot control, and also growing costs in services of other departments. We've looked closely at the budget for services of other departments. Recognizing the city's financial situation, we've moved to hiring other departments to perform work we would have otherwise performed through temporary staffing or through consulting contracts. We also cut a \$1 million from that budget last fiscal year.

I wanted to demonstrate for you the trend that our five-year forecast we produced last year produced. It related to our allocation to our capital budget. You can see a decline of 37% in sources for capital over our five-year period, ending in an FY 2015/16 budget of only \$6 million, which is much less than would meet our basic needs.

We'll be coming back on February 28 for a renewal of these numbers, and I already know they're better. Looking at this projection, we wanted to shift the trends, so we did a couple of things to shift the trend. One, we wanted to better estimate revenues and be slightly more optimistic about the upcoming economy.



The current year we're showing surpluses in revenues over budget. We are consistently strong during the recession, and we believe the turnaround is taking some hold.

We also wanted to develop a policy for you all to adopt, like the other strong financial policies you've adopted, to set aside surplus revenues for capital, to designate it specifically for capital so you could make the tradeoff between operating expenses and capital. I'll be coming back on the 28th to go over the details of that policy but from our numbers now, we're seeing that with improved financial forecast, holding the operating budget constant, and adopting a policy, we can really reverse this trend of declining resources to our annual capital budget.

In terms of strategies for ongoing improvement, the capital policy is one, and we'll be talking about that on the 28th. We need to continually make those tradeoffs between operating and capital funding. This commission has done an excellent job controlling operating costs. I haven't seen a department that has grown so few FTEs over a long horizon. That's already something that is a practice, but just to institutionalize that also, continually identifying the most efficient uses of our limited Port resources for capital and always figuring out how to maintain or enhance revenue through capital improvements -- again, insuring that your financial policies are maintained. We're relying on the citywide efforts to control labor costs. We had the pension reform measure last year that was beneficial, but we're hoping to continue to see a citywide effort to control those costs, and always to tighten up on the non-personnel expenditures.

I want to remind everyone that this next two-year period is a very busy period for the Port, and we are quite full and subscribed on our real near-term needs to deliver for the citywide effort for the America's Cup. We have some very key capital projects at Pier 27, notably Brannan Street. You're aware of our list of obligations. This is a time where we need to plan for the unplanned. You'll see some recommendations about forming an America's Cup project. That will be a place we can go to meet expenses should fundraising not come in for us in the amount we assumed, or should we have unanticipated cost increases.

You'll also see in the capital budget I'm recommending you set aside an additional \$1.5 million for the Cruise Terminal project, and not to increase the budget at this point, but just in case it's required either to advance the schedule, or to fund bid alternatives that are cheaper to perform now instead of phase two, so we have that option.

Despite all of the need to plan for the unplanned in this next two-year period, you will see that we have operating surplus. We're able to designate to capital. We're meeting our 15% reserve. Despite the need to plan for the unplanned, we have done quite a good job in holding constant to these key principles.

Meghan Wallace, Budget Manager - I want to touch on a couple key things that we focused on when we were putting this budget together. First of all, we looked





at 2010/11 actuals, and we tried to project based on those numbers what we really needed in our operating budget. We used that as a guideline that helped us keep our operating costs pretty flat. We also fully recognize revenues based on trends that we saw in 2010/11. Even with trying to take measures to control our operating budget, we were able to continue to meet our operating needs by adding new positions, accounting for potential America's Cup cost by adding an annual project in our budget to cover those potential expenses.

We built in a new funding initiative that you'll be learning more about at your next meeting with regard to designating surplus revenues to capital. Through Elaine's walkthrough of what we're looking at with the five-year financial plan, that's just a start. We see that we're going to keep needing to have to make operating capital tradeoffs, and particularly with the goal of potentially getting to \$20 million of an annual investment in capital at some point.

I'm going to cover two key things in my portion of the presentation, and those are the budget details and trends. Like Elaine mentioned before, the staff report focuses on comparing the proposed 2012/13 budget with what you approved last year. I'm going to focus on that as well, but first I'm going to give you a reminder of what it was that you approved in the budget last year, and then go through the 2012/13 proposed budget details and the 2013/14 budget details. Then I'm going to go over the overall trends so you can see how those proposed budgets really fit in to what we're seeing through our actuals.

First of all, what happened in the budget last year? You'll see that compared to fiscal year 2011/12, it actually was reduced by \$3.1 million. The driver behind that was a reduction in fund balance. Our revenues actually grew slightly by about \$500,000, but overall, we had to take a reduction, and that's partly because in our capital funding we had de-appropriated funds from other capital projects that weren't performing, and those were used in our fund balance. Despite that reduction in the overall budget, you actually approved and increased salaries and fringe, and the real drivers behind that were the expiration of labor concessions, and Prop C. The Pension Reform Measure had not yet been approved by voters, so we were feeling the increased cost of fringe as a result in our budget. The impact was a sharp decline in capital. This was, as you saw in the chart, a starting trend as far as the decline and those investments. That's really what triggered us to think we need to start turning this around.

Now I want to go into how the proposed 2012/13 budget compares with that approved budget that was passed. This new budget is \$95.6 million. It's an \$8.5 million increase compared to last year. That's pretty significant growth, and the bulk of it is in revenue through observing actual trends in 2010/11, and now we're seeing it in 2011/12 again, we realize that we really need to show that in the budget. We weren't fully reflecting that growth. We've captured that this year, and you'll see that parking revenue grew by about \$1.5 million, and that's partly through expansion of meters and enforcement of those meters along the waterfront. Commercial and industrial rent grew by \$2.4 million, and that's



largely in percentage rents, which again, we're seeing increases in those revenues, and we wanted to make sure that we were capturing it in the budget so that when we're looking in the long-term, in the five-year plan, we can see that revenues are keeping up with expenditures better than we expected.

Maritime is an exciting story. Obviously we're all invested in the Cruise Terminal and making sure that industry is really sustained. Already our maritime division is reflecting a 44% growth in passenger volume through San Francisco in fiscal year 2012/13. That's at a benefit of about \$1 million to that division. Another key story is fund balance, and fund balance is critical to our capital program. The fund balance is replenished every year by operating surplus. So what we don't spend at the end of the year and what we generate in excess to what we have in the budget goes into our fund balance, and it's critical for supporting our operating reserve and capital projects. We were able to assume another \$3.5 million in this fund balance, and you'll see that has a direct impact on our capital spending for fiscal year 2012/13.

The operating budget increased also, along to help use up some of those new sources of funds. The \$2.9 million worth of growth, \$2 million of it is taken up by the America's Cup project. Staff recognized that we had potential vulnerability there. We wanted to make sure that we had funds in place to cover costs if we were called upon to use them.

Staffing actually stays steady. Even though you'll see in the staff report that we added positions to the budget, or corrected, we substituted off-budget positions that used to have project funds to on-budget so they needed to be supported by our operating revenues. By adding those positions, we would have seen an increase in salaries and fringe, but because of Prop C, we actually benefit by savings that offset that cost in the first year. That's where we're excited to see that growth in the capital budget. We have \$11.9 million budgeted for capital projects. It's not as much as what we have in 2011/12, but it's still very significant. We're also budgeting \$2.9 million of operating surplus to designate for capital funding in fiscal year 2013/14. I want to reiterate that this is the policy coming into action, the policy that you'll see at the next hearing. This is our action of putting funds away for future capital.

In fiscal year 2013/14, we've increased the budget to \$98.2 million. It's a \$1.7 million growth, and that is supported by additional revenue growth. Parking, commercial, industrial rent, and cruise all continue to see growth, either just through inflation, or continued trends like adding additional meters. All of it is tied to what we're seeing in actual income in 2010/11 and in the current year. The fund balance actually remains steady, which what you saw last year was we had a robust fund balance in 2011/12, and then we thought it would have to decline for 2012/13. What we did is by putting designated funds away, we're helping sustain that fund balance level, and we're able to keep funding capital at a more constant level.





Additionally we are doing well in fiscal year 2011/12. We are, through the six-month report, which the controller just issued, the Port is projecting a year in surplus that's quite healthy, and we're assuming that in the budget.

With that overview, I wanted to give you a sense of how those numbers tie in to the trends we're seeing. I keep referring back to fiscal year 2010/11 and the current year, and that's really what I want to show you in some pretty charts and graphs. Overall, I'm comparing fiscal year 2013/14, essentially, with fiscal year 2010/11. So over those four fiscal years, what are the trends that we're seeing?

For example, in fiscal year 2010/11, we had revenue of \$73.6 million. In fiscal year 2013/14, we've budgeted \$76.7 million, a 4% increase over that period of time. We do have particular areas of growth. Parking is not overly large over that period of time but commercial, industrial rent has a growth of 7%, and maritime, particularly in cruise is starting to become healthier. The 2012/13 and 2013/14 numbers are reflected what are in the budget, and they're a continuation of what we've seen operationally here at the Port.

With expenditures, it's a little different story. We're seeing steeper growth than what we are in revenues. In the base year of fiscal year 2010/11 we only spent \$59.6 million. For the 2013/14 budget, we've budgeted \$71.8 million, a lot of growth. As you can see from the pie chart, the majority of that growth is in salaries and fringe. It is worth saying that some of that cost is from new positions. We have been adding some positions to the budget each year. But notably, the 2010/11 budget includes labor concessions that haven't yet been assumed for fiscal year 2013/14, and that is something to be aware of that by the time we get through this budget process, we'll likely have some savings in our budget to that end and then of course growing retirement costs.

For next steps, we are actually going to be introducing the budget to the mayor's office next Tuesday. We will be coming back to you for final approval after that, but that doesn't hold you to this current budget. If you have major decisions, the mayor's office is aware of that, and I'll simply be updating them to those changes. Then we'll go through the mayor's phase and through the board process, and we'll return to you with an update later this summer.

Commissioner Lazarus - Parking is not a huge revenue source, but you were projecting an increase based on the 142 new parking meters. Is that the proposal that came to us at the last meeting that I understand has sort of stalled, or is that something different? Will we see it may be part of the year, but not the entire time?

Monique Moyer - She's talking about Terry Francois Way. A large part of the parking revenue growth is due to those meters. As a point of clarification, the meters that were on the Port property were not as strongly contested, and that portion of MTA's project is going forward. What isn't going forward yet is how it filters out into the city street neighborhoods, as you heard from some of the merchants.





Commissioner Katz – There's an item that touched on a little bit of some of the impact of the America's Cup, but are there any projected costs that we might be incurring, and have we accounted for those or do we have funds?

Meghan Wallace - We do have an annual project in the budget, so it's something that we look at every year. It's not a regular operating expense. It's \$2 million, and it does account for anything from doing environmental mitigation review of the Cruise Terminal project, to installing parklets along the waterfront as mandated by BCDC as part of the America's Cup agreement, to any regular operating costs that we would otherwise have not assumed in the budget, but we knew there was a risk that it might come back and we might need those funds. By setting those costs aside into the project, it allowed us to keep a look at our regular operating funds separately and just account for that potential cost this one time.

B. Informational presentation on the Port's Proposed \$22.4 million Capital Project Budget Funding for Fiscal Years 2012/13 and 2013/14.

Elaine Forbes - I'm here today with Daley Dunham from the Port's capital plan team. Unfortunately, Lawrence Brown can't be with us today, but he did prepare the staff report, so I wanted to acknowledge him. Like the operating budget, we'll be coming to you today for review, question, and input, and coming back on the February 28 for final approval.

I alluded to the fact that our capital needs are very financially challenging. I know you're all acutely aware of this. To reiterate and give you a preview of the capital plan, which will be presented on February 28, it would cost us \$2.2 billion to adequately repair our portfolio. Of this \$2.2 billion, only \$693 million in funding is identified for sources to repair our portfolio. We have also identified additional sources of \$264 million in enhancements. We have a very big number and need for capital, and identified sources are willfully lower than is required. Meghan alluded to if we were to set aside \$20 million annually in our capital budget instead of the average of about \$10 million, we would not add to the backlog in the substructures of our piers.

Daley Dunham had given the number of \$38 million, portfolio-wide. If we were to set aside \$38 million annually, we would not add to the backlog at all, so that gives you a sense of magnitude.

As you are all aware, we have lost 15 piers since the 1970s. So it's a very serious situation, and Port staff has been very aggressive in identifying the need, in producing a robust capital plan, and also seeking sources that are not our annual repair and replacement budget. Public private partnerships, tenant obligations, general obligation bonds for park improvements, which also improve our assets, IFD grants and other sources really are one of the primary ways that Port staff have begun to dig into this problem.



You'll be learning much more about the capital plan on the February 28, which provides a lot of context. The capital budget implements the projects that are in the capital plan. The capital planning process has a scoring criteria. Staff from all the divisions come together with recommended projects. The team gets together and they score them based on the criteria that's listed on the screen, addresses a code or regulatory issue and all of these items have points associated with them, significantly reduces liability to the Port, promotes commerce, navigation, or fisheries, attracts people to the waterfront, protect a natural or cultural resource. There are 70 points in those items, and there are financial criteria. What is the payback period if 10 years or less? What is the total 10-year financial benefit?

Those scores are looked through a prioritization category lens. Does it address an emergency? Is it legally mandated? Is it substantially matched by outside funding sources? Then you get negative points if it's not matched, doesn't produce any revenue.

The total FY 2012/13 capital budget is \$11.85 million, of which \$3.55 million is to specific projects, and \$8.3 million is to Port-wide projects.

In the budget year, we're recommending that you set aside \$1.5 million for the Cruise Terminal. There is a clause in the proposed DDA which requires us to deliver the project on time, if that means adding additional shifts, or whatever is required to come in on time. We may be able to do that within our budget, but just in case, we wanted to have this contingency. Also, there are several bid alternates, including the curtain wall, elevators, escalators, etc. that would be much more cost-effective to produce in phase one than phase two, so I'd like to potentially use this source to achieve those items. The engineering and project team will be back to you to increase the budget should they need this \$1.5 million, but I wanted to include it now.

There's also the removal of the dry dock #1, a \$6.6 million project at this point, with this \$1 million increase.

There's a match for the Quint Street lead track and leasing improvements. For the Port-wide projects, the notable ones are the under pier utility program, the ADA transition. The under pier utility program is specifically for under pier utilities at Wharf J1. The ADA transition plan is specifically for the Ag Building. The leasing projects are for a range of improvements that are required in this next year.

For the FY 2013/14 capital budget, the total is \$10.5 million. Area-specific projects are \$2 million. Port-wide projects are \$8.4 million. The key ones are Pier 35 Substructure Repair. When we get to the next item, which is a supplemental appropriation request for the Cruise Terminal project, you will see that I'm borrowing a revenue bond for the cruise terminal, and I need to replace it through the capital budget for this Pier 35 project to meet the timing of cash for both projects.





We need the cash from the revenue debt for the Cruise Terminal now. The Pier 35 project is not ready for implementation, and we have sources in year two of the capital budget to replace those funds. We're adding funds for the Pier 70 infrastructure study. On the Port-wide project, by far the most notable is the under pier utility program for \$2.7 million. This is a project that the Port has initiated to look at how to address continuing emergency requirements in our under pier utilities to do some design work, some implementation to see better ways of addressing our utility needs. This particular study includes utilities at Wharf J1 and Pier 9.

We went over our concept of reversing our trend in growing the capital for repair and replacement budget. It's a small source for us, but it's a needed source. Protecting it is incredibly important to hit our renewal cost. Dredging costs are remarkably growing over time, which is one of the first calls on this program. We aim to grow this budget so we can meet our basic needs, and this priority setting process allows us to filter what's most important. There are many more project requests that are worthy of funding that we're not able to accomplish.

Commissioner Woo Ho - Thank you for the big picture and it's well laid out, and the staff report's very detailed for both the operating budget. I appreciate what you and Meghan have done.

Commissioner Lazarus - My recollection is that we started doing this in a serious way when the city did its first 10-year capital plan. Are we continuing to feed into the city's plan?

Elaine Forbes - Yes, we do. We feed in. We budget through the city's budgeting system. We go through the capital planning committee for review. The city is on a two-year cycle now with our capital budget. We're doing a 10-year look every year. We haven't conformed to that, mostly because our priorities have changed and are changing as a result of the America's Cup, as other improvements are required. We felt that we need to keep that continually refreshed as our priorities shift.

Monique Moyer - I would just say that you may recall ours was actually first, and so ours predated the city's, and so they've conformed with us.

Commissioner Lazarus - The second question has to do with the first. Was there talk about the possibility of another GO bond that would include Port projects?

Elaine Forbes - Yes for 2012. We have been working with the Recreation and Parks Department on a 2012 question to the voters for parks. We've also been working with the Capital Planning Committee, and we're well underway to coming to you with a proposal for a 2012 bond in November. We are looking toward the Northeast Wharf Plaza to additional improvements in the Southern



Waterfront, and to continue the momentum of the 2008 project. It is underway, and we will be to you with light speed to show you a proposal.

Commissioner Crowley - Are the utilities derived from the city sources or outside sources?

Elaine Forbes - That's a great question. They're our responsibility.

Monique Moyer - By derived, do you mean funded or generated? Power generation is derived from city sources, charged at outside prices.

Commissioner Katz - I assume that would be water as well.

Monique Moyer - Yes, we are responsible, as every property owner is, for the infrastructure that delivers from the main systems, whether they be water, power, or sewer. Once it crosses the Embarcadero, for example, it becomes our responsibility but we procure them from the San Francisco Public Utilities Commission.

Commissioner Katz - It may be getting into the weeds here. I noticed there were some relatively small amounts tied to some of the improvements in the Southern Waterfront. How does that overlap or dovetail with some of the funding that's coming in for the Blue Greenway? Can any of that be allocated to the funds that are coming in?

Elaine Forbes - You may be referring to the Trans Bay Cable payment, which is \$550,000 annually, which is specifically funds, improvements, in the Southern Waterfront. The Blue Greenway has a variety of sources, but the most recent sources we've added to it are the third sale of the 2008 GO bonds.

Monique Moyer - There are three sources that fund beautification in the Southern Waterfront. The answer to your question is yes, they do overlap. One is bond proceeds from the GO Bond for the Blue Greenway, as Elaine mentioned. Two is the Trans Bay Cable payment, as Elaine mentioned. Third is the Port's own policy on Southern Waterfront beautification, in which we set aside a portion of our per square foot rental fee to be used to beautify the Southern Waterfront and mitigate impacts. Because we like to have lots of sources for each project, they usually end up going in the same places and helping with an overall program of beautification.

Commissioner Woo Ho - I have a couple questions. One, Meghan had mentioned that the plan would be hopefully if we could ever get to \$20 million to be able to provide out of the operating budget to be part of the capital plan, which would be great. But also having in the context of the \$2.2 billion, of which you said you've identified, if I added the \$693 to the \$264, it's about \$957 million of sources. With regards to the general obligation bond, is that counted in the potential sources already, or is that on top of?

Elaine Forbes - The 2012 is included.





Commissioner Woo Ho – Is it included in that estimate?

Elaine Forbes - Yes, it is, as an enhancement.

Commissioner Woo Ho - But the goal of hoping to get to a \$20 million level of operating surplus to put into the capital plan is not part of the projection?

Elaine Forbes – It is not. The projection actually assumes a flat budget of an average of about \$10 million annually over the 10-year term, so it doesn't show yet in improvements.

Commissioner Woo Ho – Are any of the projects that we have heard a presentation earlier today in closed session be able to defray or if that project moves forward, that's not in the numbers as well?

Elaine Forbes - Some of the projects are in the numbers. It depends. I don't think the one you're referring to is included. If we know that there's a tenant obligation that will be met, it's included as a source and a use. If there's a development project that removes obligation, it's included also in that projection.

Commissioner Woo Ho - And any IFD plans in terms of incremental property tax revenue is not included in that potential funding source. Or how much is?

Elaine Forbes - There is IFD included in the potential funding source. The IFD is \$231 million, but it's way in the out years. It's in the last five-year period of the projection.

Commissioner Woo Ho - The biggest issue I see in the financials of the Port is this \$2.2 billion capital strategic issue, in terms of how are we going to be able to preserve the piers with that? We're short about \$1.3 billion and of course it's over time, but that is what I consider one of the biggest strategic financial issues that we have yet to figure out what the long-term solution is for the Port, and the operating surplus is only going to go so far. That's something that we obviously have to continue to think about where we can find the sources to address this issue so that we don't lose.

Elaine Forbes – Absolutely. The additional sources that Port staff have gotten such as the 2008 GO bond, different grants, WERDA appropriations, looking at IFD, getting State permission to get IFD, these are all expanding the envelope and sources. That is the key way, matched with public/private partnerships, to resolve this issue. We will not be able to solve this problem through our capital budget. I would like to see a time where we can solve renewal through our capital repair and replacement budget, but we cannot resolve this level of deferred need through our annual capital budget.

Commissioner Woo Ho - Which is what we have to solve for, and that's a strategic problem that we face going forward.





Elaine Forbes - That's right but we can use our annual capital budget to leverage these other sources to match grants, to meet other opportunities. The scoring criteria that we use helps us maximize where we're allocating these limited dollars.

Monique Moyer - So the big picture is that post adoption of the Waterfront Land Use Plan, the only source we had available was tenant improvements, which is fairly diminimus on the overall need and private investment through development. It's post the adoption of the first Capital Improvement Plan, which was adopted without a plan of finance. The defunding you're referring to we call the plan of finance. Subsequent plan of finance has identified the same sources, private development and tenant improvements, but has also incorporated and allowed us to be more creative and think of these other options for the Port.

Even to meet the funding that we have, which is a quarter of what the need is, we need to continue to pursue all of those approaches. The projects that we are working on, whether they're at Pier 70, part of the America's Cup, the Cruise Ship terminal, 8 Washington project, etc. all of those are identified in our plan of finance as funding sources, even though they're not secured. We have a wide gap, but we are slowly inching our way forward. The adoption of the policy that's going to come before the Commission at the next meeting is a key point of not continuing to let that number grow, because our very first 10-year capital plan was at about \$1.4 billion. Before we took into consideration the new annual additions of deferrals, and now it's at \$2.2 billion. It's a very heavy challenge. Since the beginning of time, the Port has self-funded, so it's a very big challenge.

Commissioner Woo Ho - In terms of operating budget, we're very pleased to see the improved trends, and we want to give you all credit for helping us to get on the right track. We also know that it's not enough to help us on this strategic challenge, so we'll keep working on it.

Elaine Forbes - I'd like to also thank the divisions. It's really real estate, maritime, planning and development that have gone out and negotiated good lease terms, and to help us see these revenue enhancements. It's a lot of good work.

C. Request approval to forward to the Board of Supervisors a supplemental appropriation of Fund Balance and 2010 Revenue Debt for Phase I of the James R. Herman International Cruise Terminal Project. (Resolution No. 12-14)

Elaine Forbes - The item before you is to appropriate \$7.42 million to the Cruise Terminal budget. This appropriation is within the \$62.4 million budget that you've approved for phase one of the Cruise Terminal on December 16, 2011. The reason for this appropriation is simply a timing of cash needed for the project.

The sources of funds are fund balance in the amount of \$3.448 that we would have otherwise appropriated through the capital budget, shore-side power reimbursement, which really isn't a new source; it's just recognizing in the budget the Event Authority will be contributing, and we will be using that source



of revenue in the amount of \$2 million. Series 2010 A Port revenue bonds in the amount of \$1.1 million, and this is specifically for the Pier 35 project. Our plan is to add \$1.1 million to the Pier 35 project in year two of the capital budget, and then finally to recognize that there was savings in the Pier 19 roof project, also funded through the Port revenue bonds series 2010 B, and the savings are \$700,000. We'd like to use that source for the Cruise Terminal project, as it is earning interest, and we'd like to put that cash into good use.

That is the supplemental appropriation request. Your approval of the resolution will have us advance it and get it before the Budget and Finance Committee of the Board of Supervisors. Also attached in the staff report is the incumbent schedule for the Cruise Terminal project.

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor. Resolution No. 12-14 was adopted

## 10. PLANNING & DEVELOPMENT

- A. Informational memorandum regarding the Development and Disposition Agreement and related actions approved by the Port Commission on December 16, 2011 to implement the 34<sup>th</sup> America's Cup Project, involving use of Piers 26, 28, 30-32, 19-23, 27-29, and 29½ and adjacent water areas; water basins between Piers 32 and 38, Piers 14 and 22½, and Pier 9 apron and water area, all located along The Embarcadero waterfront; Seawall Lot 330; and a portion of Pier 80, located along the north side of Islais Creek, east of Illinois Street.

Jonathan Stern, Planning and Development Division - I'm also one of the co-project managers for the Port's America's Cup efforts. We're here primarily to present the revised memorandum that we sent to the Port Commission after the December 16, 2011 meeting and approval at that time by the Port Commission of the DDA in its current form. That presentation was an oral presentation with many business terms outlined in that regard because of how quickly things were changing about the America's Cup. We just thought it was important both to bring in a memorandum that would describe the entire DDA, as the main thing. I'll make a presentation today that discusses the difference between what was before you, lodged on December 13, 2011, versus what has now been introduced to the Board.

I also would like to say that at the time, we were so busy taking care of the business of the Port regarding that DDA and the America's Cup, we didn't have a good chance to really celebrate what the America's Cup is going to be like when it's here. Before I delve into the technical details of the DDA, I would invite the Event Authority to make some comments to the Port Commission in that regard. Tom Houston, the chief commercial officer of the Event Authority, will discuss what the event will mean for the Port.





Tom Houston - I want to give some context to a lot of the things that we've been reading and hearing about now for such a long time. San Francisco and the San Francisco Bay Area should be incredibly proud of the fact that this event is here to help give some flavor to that. You probably already heard it stated that this is the third largest international sporting event in the world, behind the FIFA world cup and the Olympics. That is based in terms of economic impact benefit to the host city and the host region. That is based in no small part by the fact that this event occupies a three-month footprint in the year of its competition, which is easily ten times larger than the other events that normally operate over two- or three-week periods. In addition to that, it's also interesting and useful to know it is the only international sporting event taking place in the year of 2013, which means that all eyes will be on San Francisco. All eyes will be on the Bay Area, not only here locally, but in the United States, as well as globally.

In terms of some benefits that are intrinsic when you host an event like this, there are many. You're familiar with all of the work we're doing to help redevelop the waterfront. That's a catalyst of activity that will benefit the city and the area for a long time to follow. On the back of what I just said regarding the event and its positioning worldwide, it also represents a massive global media benefit. Money can't buy advertising for the city and for the United States as well.

This is the only opportunity to cheer for team USA on USA soil. The United States will not be hosting a major international sporting event for at least another ten years. The Olympics are not available until 2022, and the World Cup is not available until 2026. That means team USA is based right here. So while it's nice for the Giants to win the World Series, it's only really celebrated here. If team USA happens to win, then obviously it's going to be not only celebrated here, but it will be watched and viewed with interest in many countries around the world. If unfortunately we happen to lose and another country does win, then clearly there's going to be a party happening somewhere else on the planet, and so that gives us a scale of international attention.

That also drives directly towards our tourism. It drives directly towards all of the benefit of having this large event footprint in terms of restaurant traffic, hotel traffic, increased airport activity. In terms of all of the work that we're doing together with our colleagues here in the city, and in particular with your colleagues at the Port staff, there's knowledge capital that is a lasting legacy of this event, in terms of the knowledge gained from creating a multi-jurisdictional people plan, our sustainability activities that are going to be done on a level that haven't been done before on an event of this side such as youth outreach programs, in particular around aquatic and maritime activities, the maritime cooperation itself in terms of controlling the Bay for allowing a private event to take place at the same time as normal commercial shipping traffic, State and federal cooperation and setting precedence there, a volunteer force numbering in the thousands that can be activated for future events. Speaking of future events, the calling card that the city will have as a major event host site going forward.



This model has been proven to be very successful for many other host cities of big events. I can name a few, like Sydney, Barcelona, that hosted very successful games, and that legacy lasted their benefit and the future development of that city over the next 20/25-year period. Then in particular as well for the fans, this is going to create new tourism back to the Bay Area, back to San Francisco specifically, from people that even live in this area who don't bother to come to the city anymore, but also for the region, as well as for the country. Part of our plan, it provides opportunity for anybody that wants to see it for free. This is a beautiful stadium that's capable of having millions of live spectators around the entire perimeter of the Bay. For those of us here in San Francisco, obviously multiple live viewing locations, as well as the opportunity for enhanced viewing locations for those that wish to have that.

In closing, I would also specifically like to thank our colleagues that have worked so hard with us on the Port staff -- Brad Benson, Joanne Sakai, Jonathan Stern, and Diane Oshima.

As Tom was just talking about, this is a multi-partner event. It's not just the city and Port. It's also the Event Authority, America's Cup Race Management, and the ACOC, the organizing committee. These are all organizations that have to come together to make the event work. It's also not just an event in San Francisco. It has a lot of global lead up. We've seen some of those happen already in Europe. I had the privilege of being in San Diego to see the event down there. This is sort of a year run-up or an 18-month run-up to the events of 2013 here.

The development agreement is how we govern the rights and responsibilities of both parties, vis-a-vis Port property. It tells what obligations they have to improve Port property. It governs our rights vis-a-vis approving the scopes of work and how they perform that work. It governs the conditions of us delivering venues. We'll bring venue leases back to you probably in March for approval. It also governs the reimbursement and sets out those rights and responsibilities. The work itself and the reimbursement are the major themes of the DDA.

As a refresher, this hasn't changed a lot, but there are two major categories of work. There's authority infrastructure work. These are the key projects that were envisioned by the Host and Venue Agreement. There's also additional work that could either be dredging if for spectator vessels, or work in Pier 26 and 28. Both of these categories mainly will happen pre-match, but they can also be deferred, and there's expected to be some deferred authority infrastructure work, specifically finishing seismic strengthening of Piers 30/32, and hopefully some deferred additional work at Pier 26 and 28. The authority also has the right to do other work and they won't necessarily get reimbursed for it, but it does have the right to do other work on Port property.

The new DDA is very similar to the presentation we made on December 16, 2011. The new DDA that's in front of you does govern and limit the way that





authority infrastructure work is reimbursed through Port sources. So if they do authority infrastructure work, we're looking about \$80 million of improvements at this point, pre-match. About three-quarters of that is at Piers 30/32. These sources are reimbursed with a limited and ordered set of repayments, and that's an important point.

That's different than what was approved in a Host and Venue Agreement at the end of 2010, and it really changes the financial analysis. Specifically, the core deal is \$55 million of improvements for the sale of Seawall Lot 330 to the Event Authority, and a 66-year no cost lease for Piers 30/32. After that, there's IFD at Piers 30/32, and Seawall Lot 330, interim lease rents from Piers 26 and 28, and then if necessary, interim and then potentially long-term rights at Pier 29, including a 66-year long-term lease in improvements.

If all those sources do not pay them back at that point, the Authority also has the right to claim 50% of participation rents and for a subsequent lease of Piers 30/32. We presented this orally at the December 16, 2011 Port Commission meeting. It really has changed very little since then, but it's now written out more clearly in your memo.

For the deferred additional work, that also has a limited ordered set of repayment options for the Authority, if they choose to perform that work, to be reimbursed. It starts out with long-term 66-year leases at Pier 26 or 28. Those rents begin at \$6 per square foot. They can start any time in the first 10 years. IFD from spawned revenues from 26 and 28 is the next source of repayment, historic tax credits, and then also this residual, this tail beyond a 66-year lease if it's necessary. In this case, there is hope that there will be other sources. If we provide other sources for historic rehabilitation, that would extinguish that tail right away.

The sources they were starting to discuss with the Planning Department and others within the city is some sort of expansion of the city's Transfer Development Rights program that's currently being used in the C3 district. We're talking about expanding it to Port properties as well. There are a lot of details to be worked out both on a policy level, and on just a plain old detail level before this would come to fruition, so we're not showing this as a definite source at this point.

Finally, the other major work is within additional work but it's for dredging for spectator vessels. To clarify, what would happen to reimburse dredging expenses undertaken as additional work, the Authority can get exclusive negotiating agreements for one or two sites for a long-term marina lease. This would be a commercially reasonable rate, term lease with rent credits based on what they perform in additional work. The two primary named sites are Pier 54 and the Brannan Street Open Water Basin, between Piers 32 and 38. At Pier 54, because we also have infrastructure challenges there, specifically substructure challenges, that we would also give them rent credits for any substructure work they'd have to do at Pier 54 to make that marina work. The other thing to point





out is if the parties agree on a different location, one of those, up to two leases, could be at a different agreed upon site. This is important, because as we found out with the Rincon Open Water Basin, there isn't always agreement about whether we can do this kind of use in open water basins under the BCDC Special Area Plan. That's an important amendment. That's something that was added since December.

There are a series of other smaller changes. They're relatively minor, but they're changes to the core DDA. They're reflected in your memo. Most of them are details, but for example, not only does now the DDA replace sections five, six, and seven related to development rights; it also replaces the indemnity provisions and some of the termination provisions of the Host and Venue Agreement. That's one change. The Seawall Lot 330 transfer now is an additional termination right. If we cannot deliver or in some ways the city does not deliver Seawall Lot 330, the Authority has additional termination rights. We clarified issues specifically about cruise use and the procedures for asking for additional cruise use at Piers 30/32 in 2012 and 2013. It's potentially possible that cruise calls could happen there, and there's now a procedure in the document.

Similarly, Pier 80 is called out for its Port priority use. We're also calling out the public trust uses, specifically commercial fishing, as something that can happen even within the Authority's water area, as long as it doesn't interfere with their event or their usage. It clarifies assignments. It also re-designates the Pier 27, 29 work. The Port has undertaken the demolition of Pier 27 as one of the core things that we're doing. It clarifies a number of other terms.

Elaine Forbes - The staff report that we issued on December 10, 2011 included this concept of non-exclusive balancing, meaning that there's always been a core concept in the term sheet, in the signed HVA, that the Event Authority is repaid for improvements to Port property. The staff report included a concept of this non-exclusive balancing whereby the venue sites, which primarily implicated piers 19, 19½, and 23, would be in the waterfall of repayment options. The staff report focused a lot on buying out investments, different ways to handle that so we could retain those piers, because the revenue generation from them was stronger than the debt service on a buyout option.

The DDA before you doesn't include this non-exclusive balancing. Setting a defined set of repayment sources dramatically improves the financial impacts and risks to the Port considerably. I'm going to briefly go over the short-term revenue loss and event-related cost, the Port capital projects that are requirements of the proposed DDA, and then go into the long-term development and what that means in terms of financial impacts and briefly cover the budget analyst recommendations. The report was issued last week and will be in front of the Finance Committee tomorrow. I wanted the Port Commission to be aware of the recommendations.



As you know, the venue sites are going to be provided to the Event Authority rent free. The delivery dates vary but they generally return to the Port six months after the event. A notable exception is Pier 27, which returns one month after so we can hook up shore-side power. There's also differences in Pier 80.

The general fund is reimbursing the Port for lost rent under the MOU. Our short-term impacts are offset by the general fund. Right now we estimate that cost to be about \$6.4 million. That cost will change if the time, either at the front end or the back end, shifts, gets smaller. It would reduce what the general fund pays us for lost rent, and that is one of the budget analyst recommendations.

Tenant relocation payments, security staffing, all those short-term project costs related to the Port total about \$2.56 million. We will be reimbursed contingent upon America's Cup Organizing Committee fundraising. Meghan Wallace and I just described that we have included a Port-wide project for America's Cup project cost as a contingency, but we may in fact be reimbursed through the ACOC. In short, our short-term impacts have two funding sources.

The capital projects that are required as a result of the event are overwhelmingly planned Port projects. They include the Pier 36 removal, which we have a budget for, the Brannan Street Wharf, the relocation of shore power on Pier 27 related to the Cruise Ship Terminal project, and Pier 1/2 removal. The requirements that are in the DDA match the projects we were planning to perform.

We have a new requirement, which is to install shoreside power at Pier 70. This is required as mitigation. It's included in the FEIR. It's a \$5.7 million project, and it's a requirement, but luckily we found two good funding sources, a surcharge on electricity, and a potential PUC incentive if we reach a certain rate, a certain level of usage which will pay back the project cost over 10 years. We will be coming to you with more details on this project. This is a new project requirement. It also advances a business need of ours to enhance the shipyard in an environmentally sustainable way, and is a requirement of the EIR.

To get to the long-term developments, there are basically two sources, two sort of buckets of repayment. One is Authority infrastructure work, and the other is additional work. Authority infrastructure work is listed here. It's Piers 30/32 improvements. Those that are needed to stage the race before the event, and those that are needed for the development after the event, and that can be deferred up to ten years. Then there are other race-related improvements for Pier 29, shore power, BCDC regulations, etc. included in that Authority infrastructure work basket.

Here's the budget for Authority infrastructure work, and this includes both pre-match and post-match work. The total is \$111.3 million. You will notice on this chart there are grayed out columns, and that's Authority infrastructure work on items that remain under the Port's control. \$12 million of this work are direct





improvements to assets we will continue to control. The net present value of this work if we discount to present day dollars is \$88.5 million.

Commissioner Woo Ho – This number has not changed, right? This number is the same as what we've seen before.

Elaine Forbes - This is substantially the same as what you've seen before. On the Port staff memo in December, there was a slight error in the soft cost calculation, so it's gone up, but it's basically a rounding error in terms of what you've seen.

So how is the Authority repaid for this level of investment, \$111 million? Jonathan laid out the waterfall, and I just wanted to show you the value that is associated with that waterfall. This assumes the \$111 million investment, but remember, the net present value of that work, because work is performed up to 10 years later, for the deferred work, is \$88.5 million. The sources of repayment are the sale of SWL 330, the IFD at Piers 30/32, the interim leases at Pier 26, 28, and interim lease at Pier 29, and the residual on Piers 30/32, that's 15-year tail of 50% for a total \$88.7 million. You will note that the Event Authority's budget for Authority infrastructure work is very close to the sources of repayment \$88.5, compared to \$88.7 million.

The repayment sources for additional work at Piers 26 and 28 total \$38.8 million: 66-year lease at Pier 26 and 28, \$15.1 million; the IFD, \$3.7 million, historic tax credits, \$20 million, and the residuals or another alternative. The DDA explicitly states that if we can find another preservation source like TDR or some other financing tool, that tail is extinguished.

The net present value of the improvements the Event Authority would make on Piers 26 and 28 are basically unknown at this point, but we know that value of potential repayment sources.

What does this mean to the Port in terms of our opportunity costs? We know what the repayment sources are for this incredible large amount of private investment. We looked at the assets, Piers 26, 28, 29, 32 and SWL 330, the remaining useful life, according to our engineering department, and the potential rent from current uses on these assets. For Authority infrastructure work, the opportunity cost to the Port is \$52.5 million, and that's the rent we would have otherwise received from those piers with existing resources, with existing rents for their useful lives. \$52 million compared to the benefits of the event and the investment of \$111 million, you can see clearly that the benefits of the event, the development potential, are greater than the opportunity cost of this lost rent.

For additional work, the Port's opportunity cost is only \$14.9 million, and that's the rent we would have received for the useful life of those assets. It's leveraged with lots of other sources -- IFD, historic tax credits, etc. While the Event Authority can be repaid \$38.8 million, the opportunity costs to the Port is only \$14.9 million.



One of the key benefits of this project is the Event Authority will extend the useful life of our assets. The purple color is the useful life for the Port, Piers 26, 28, 30, 32 - 15 years and 10 years. Seawall Lot 330 obviously will extend into the far future, and Pier 29 has a useful life of 30 years. The black indicates interim rent period i.e. the period in between the race and the development. I've purposely made Piers 30/32 green because interim rent on Piers 30/32 is paid to the Port. It's not a rent credit repayment source. The gray area is the long-term leases in the repayment sources, and the blue indicates the tails. The Port, under our existing plans, would not be able to extend the terms of Piers 26, 28, and 30, 32, and we're maximizing value of repayment of this private investment. In the DDA, the Port must notify the Event Authority of its intent to buyout six months after approving the scopes of work. The Port must complete the buyout within five years of notification, but the buyout doesn't eliminate rent credits, eligible expenses above the functional cap, making a buyout unlikely if costs increase.

Our current cost estimates of \$88.5 million, and assumes a buyout of \$10 million, reducing the repayment through the exclusive reimbursement options to \$78.5 million. To buy back Pier 29, we would need to get down to \$76.4 million, so somewhat close to this number. But if expenses increase, because the buyout does not eliminate the functional cap of sources, the expenses would exceed the amount by which we would buy out, essentially. We would be adding cash and keeping the sources on the table. It depends on the estimates of total cost whether it's beneficial to the Port to exercise this option.

The budget analyst made recommendations that are reasonable and make sense to us, but the deal that we negotiated, because the non-exclusive options are off the table, we've already balanced benefits with costs and balanced risks and rewards. The first is to base costs on estimates rather than actual costs. This is an idea to contain risk of cost increases. The budget analyst would like the Board of Supervisors to look at that post-match expenditure on Piers 30/32 and require that before approving that work that we talk to the Board of Supervisors about the most economically efficient way to perform that work, whether it's doing it ourselves, buying out the investment, or having the Event Authority perform the work and reimbursing them through rent credits.

The budget analyst is recommending a cap on spending. We have a functional cap on the reimbursement side. They're recommending a hard cap on spending, and they're also recommending the early return of venues, specifically all short-term venues, and Pier 29 immediately after the event and that would reduce the general funds payment to us in the rent. I would categorize all of these as cost- or risk-containment recommendations.

This one I would characterize as consistency in lease terms. They're recommending that Piers 26 and 28 have the same escalation methodology, as Pier 29, which is to escalate the initial base rent by the CPI prior to the start date of the long-term lease.





The next set are basically to take the current proposal and return it to the terms that the Board of Supervisors approved on December 14, 2010. That would eliminate those financial tails that go out 15 years after the long-term lease. They're recommending that the participation be put back into the deal, which is specifically for a transfer fee to 1% of the sales price on the second sale for Seawall Lot 330 and beyond, and participation in 15% of net proceeds of each transfer or sublease. On recommendation #8, it would require the Authority to retain Piers 26 and 28 unless the Event Authority's expenditures don't require those assets. This is really a leasing risk and also an interest risk. Their thinking is that the Port would have difficulty leasing those facilities up in the short-term, and also we ought to be making payments to Event Authority infrastructure work to avoid it just sitting there and accruing at 11% per year.

Jonathan Stern - Starting from the budget analyst's recommendations, I want to reemphasize what Elaine has mentioned which is that these are very sound recommendations in terms of thinking about financial risk. Of course, every real estate deal and every DDA is a negotiated deal. Before I delve into that or respond to any questions, we should talk about the project benefits, and some of the extraordinary risks this project has or risk profiles because that answers the question why there might be extraordinary terms the budget analyst is reacting and that's partially because this is an extraordinary deal.

This is a deal that's really embedded within an event, and the event has a dramatic list of potential benefits, both to the Port, but also to the city or to the public. Many of them have already been hit on today. They have to do with the \$111 million of improvements to Port property. They have to do with the transfer of the capital plan costs.

There are also benefits to Port tenants in maritime industries. I'm glad Mr. Houston was here to comment on that because that's something we see as a key benefit as well as the global exposure. There's a lot of benefits you can see from this event. There are similar kind of benefits that accrue to the city overall. One of our primary industries citywide is tourism. This is definitely both a slug of tourism in its own right, but a lot of exposure that should draw it for time to come. There are also financial benefits. We've heard varying estimates of the overall dollar spent, but they're very high. All of them seem to be over \$1 billion.

Other sort of softer goals when you talk about public benefits are the completion of redevelopment of the South Beach Rincon Point area of the waterfront. When Elaine had that map up in the previous item, many of those red piers, many of those missing piers were in that area, and we have struggled to redevelop the piers that are left. There's also temporary jobs, FTEs, almost 9,000 jobs just from the of the event. These are pretty significant benefits, and that's why the DDA doesn't necessarily stand-alone just as a real estate project. It's a real estate project embedded in with an event.





There really is an extraordinary risk profile. There are some extraordinary risks, but there are also some extraordinary opportunities for the Port. Entitlement risk, finance risk, market risk, and construction risk, these are sort of the broad categories that we will analyze any real estate deal in planning and development, and there are some really good reasons that everything shaped up this way.

On the entitlement side, we don't know yet what's going to happen with Piers 30/32, 26, or 28. None of those uses are specified, but the Port Commission, in particular, still retains those controls over use at a later date, and that makes the risk to the developer, the Event Authority, high. They're saying we'll get repaid by revenues from a future development deal, but because they don't know the uses or the magnitude of those uses, this is a big risk that they're taking.

On the finance side, it's to our benefit that they have the money. This is something we don't always find with a developer. So this is a risk profile that's really advantageous in this deal. On the market risk side, this is something we often have to work with our development partners. I would say this has a medium risk because they don't know what those uses are yet. That gives them some flexibility, and they also have ten years to try that out. I would call it low because we don't know what those uses are, so it's hard to assess if there's low or high market risk.

On the construction side, the normal issue with construction risk has to do with time and money, cost overruns and time overruns. Given the schedule and the due diligence that they've done, I am confident that they will be able to perform, even on the tight schedule they have, except some of the construction repayment risk, so they're responsible for some of the cost overrides. As Elaine mentioned, the most we can reimburse them we're valuing at about \$88 million. If they have cost overruns above and beyond that, we have no obligation to reimburse them, so they're taking risk there.

On the Port side, there are some flipside risks and some unique risks. One is the finance risk. I would say this is low risk. This is a really big benefit. We do not have this \$88 million to make improvements to the waterfront specifically in the Rincon Point South Beach area. Re-tenanting risk is another risk we are getting the short-term venues back. Based on current revenues, the approximate amount of money every month that we would try to release is just under \$200,000, so we do have to get new tenants into those spaces when the short-term sites return to us. Similarly, as long as we can keep the current tenants in those locations, paying rent, that's a big benefit to the Port and the city, because the city is backstopping the Port with an MOU on matching the rent losses on the America's Cup.

Finally long-term revenue, the graph that Elaine put together was brilliant about showing the purple lines, which is our expected lifetime right now, and how these deals extend them. The reality is we're not giving up a lot of revenue that we really ever expected to have. Getting these sites redeveloped in the form of



options right now makes this still a medium risk but this provides a pathway to maintaining these assets, and specifically historic assets, in a way that we didn't really have before.

This is an informational item. Tomorrow we are going to be in front of the Budget and Finance Committee with the America's Cup project office. Mike Martin and Port staff will be there to answer any questions from the Board of Supervisors committee. The full board is expected to take up this item on February 28, 2012. If that all goes according to plan, we will be back in front of the Port Commission hopefully in early March 2012, both to improve all these changes to the DDA. This is an informational item only. We are not asking you to reaffirm your support of the DDA with these changes, though we will ask you that once we know, especially if the board changes this again.

We also have not yet bought the formal venue lease to the Port Commission. These are the actual legal instruments where the Authority will control the property, and they'll be able to enter and start making these improvements under the DDA. We're planning on packaging that up and bringing that to you in March.

Hunter Cutting - I live and work here in San Francisco. I grew up sailing in Northern California, and I currently sail on the Bay with my two boys, ages 11 and 13 and we have a great time out there. I wanted to come here today to flag for you an issue that you're going to be confronting as soon as you begin to consider the long-term development deals that are going to be generated out of this agreement. One of the great ironies that's emerging out of this whole deal is that the America's Cup legacy actually does very little to support sailing on the Bay. You'll notice it was conspicuously absent from the list of benefits cited by Mr. Houston, Mr. Stern. The recreational marinas that are envisioned by the development and disposition agreement are optional for the Event Authority. The incentive that's built in to get those marinas actually built are the rent credits that will be offered in exchange for optional dredging. However, I would note that dredging is not mandatory, and the rent credits can actually be applied to something else besides the marina. The incentives to get any facilities done to support sailing and boating on the Bay are almost insignificant. I mean, to be blunt, it's kind of like vaporware. Against this context, you have to ask, well what do you get out of this deal? I thought your own CEQA findings actually did a good job in summing up the benefits by noting that the deal would, "generate interest in the sport of sailing." The problem is that neither the Port nor the city can meet the current interest that we have in sailing here in San Francisco. We're already one of the world capitals for sailing. That's well known. There are no public boatyard facilities for sailing in the city this side of the Bay Bridge. There's no hoist you can get to that's a public hoist to put your boat into the water. The wait for a berth at the two city marinas is 10 years. There's tons of demand for facilities, tons of interest in the sport. We're not meeting it as it currently stands. What's worse, at the same time, the facilities for small boating in San Francisco are rapidly being eliminated. The ongoing renovation that you're probably familiar with over at the San Francisco Marina is going to nearly





eliminate all the facilities for small boats. All the 20-foot slips are being eliminated, and 200 of the 216 25-foot slips are being eliminated. They're being converted to slips for large boats, 40 foot boats and 50-foot boats. Against this context, seeing the vision in the final EIR for the marina facilities to be dedicated to super yachts and for boats that run from 25-foot to 50-feet seems like too small of a vision. We've got to find a way that when you look at these development deals that there's a place for recreational boating, in particular, small boating. It's not going to be easy, and I really appreciate the Port staff in already beginning to have this conversation, but unless we have the support of you and other leaders in the city that this is part of the public trust, it's not going to happen. I look forward to talking with you about it down the road.

Commissioner Lazarus - The \$2 million that we expect to be reimbursed, tenant rents, etc., that's supposed to come we hope through the organizing committee that raised money. If they do not raise the entire amount that they are supposed to, is there some proportional payback? Is there some ladder of how that money is going to be repaid to various city agencies?

Elaine Forbes - The payment in lieu of rent is a mandate, so it's the first call on fundraising. The EIR cost is referenced as an early call on fundraising. Beyond that, there's nothing formal. We've all submitted our budgets. The Port's budget submission for short-term costs are part of the OEWD submission. I would suspect that the operating costs associated with the event, police, MTA, the general fund departments, may be earlier calls, and that is one reason way we thought it prudent to put it in America's Cup budget allocation.

Commissioner Lazarus - Thank you for a very cogent presentation, and distilling out the issues, and showing us what's evolved.

Commissioner Katz - Thank you; it was very informative, and I appreciate it. I'm not sure if I have the comparable one but in determining the lost opportunity cost for the Port on what's being provided on the net present value for our lost opportunity cost.

Elaine Forbes - The Port's opportunity cost has a discount rate of 6%. This shows the present value of the rent streams we would earn on those assets, saw many of them with very short remaining useful lives. The Event Authority, what we're reimbursing them by use of the assets, is discounted by 11%. That is a little bit of a difference in methodology, but it's consistent with the requirement and the DDA that their investment earn 11% interest.

Commissioner Woo Ho - Just to clarify, is it because of the fact that the budget analyst is recommending that we use an estimate versus the actual cost that you're saying that we are now at \$111 million, or on a just net present value \$88 million, that we would not exceed that now in terms of our continuing to offer more rent credits?

Elaine Forbes - The \$111 million represents their estimate. The budget analyst is recommending that we reimburse them based on an estimate rather than



actuals. The actual cost may be higher or may be lower than \$111 million. One benefit of the budget analyst's recommendation to move to an estimate model is it helps us in deciding a buyout option, because it's fixed. We know the cost.

Commissioner Woo Ho - That's what I wanted to understand, this now is on a fixed level, at least for us, and I guess for the developer as well in terms of understanding, even though it's not based on actuals, because actuals can move up and down.

Elaine Forbes – That's right. The repayment options are fixed. We will only reimburse them for the amounts that we showed in this presentation for Authority Infrastructure work and additional work. But what the cost is, from estimate to cost, to reimbursement, that's an area where at the \$88 million estimate now or \$111, which is net present value \$88. We may say we would want to exercise a buyout option to retain, for example, Pier 29. But if those costs rise in the 10% increase substantially in that 10-year window, or the actual cost is much higher than an estimate, then we wouldn't want to consider that option.

Commissioner Woo Ho - Right, because many versions ago, we were concerned that this was an unlimited amount that was actually more dangerous for us than the other side.

Elaine Forbes - That's right. With great thanks to our Port Executive Director, the Steering Committee, and the Mayor's office that the Event Authority agreed to limit our sources of repayment. It's a major benefit to us that that is in the proposed DDA.

Jonathan Stern – Everything Elaine said is true, but I thought there was an important nuance as well. I really love this slide. It shows, we did this all 15 months ago, and we were really close. But what this shows to me on the side of the \$88.5 estimate of costs, they're getting very close to signing guarantee maximum price contracts. Usually when a reputable builder is getting to that point that pretty much brackets the risk. The reality is it's probably not going to come much lower than that. They're going to do the work and get paid for it. It only gets higher if there's some change of scope and that's something that is new conditions that were just unknown and unknowable when they did the work and when the Authority did their due diligence.

If anything, that cost is really only going to go up. That's why this happens with construction projects. The reality is that's almost all their risk even under the current deal because we're estimating the value of the basket they could recover at \$88.7, just incrementally higher. While the budget analyst's recommendations reflect best practices and it's how we'd really do business in every other DDA, in this case I'm not sure there's a dramatic difference other than for planning purposes for understanding whether the buyout makes sense or not.





Commissioner Woo Ho - We will obviously have to wait for the next steps that come at the Finance Committee and the Board of Supervisors, and so we look forward to hearing what the next steps are in the outcomes of those discussions.

## **11. NEW BUSINESS**

Commissioner Lazarus – What about water taxis, can we include an item on the forward calendar?

Monique Moyer - Yes, water taxis will be on the forward calendar, but perhaps after the February 28 and March 13 meetings because we have a long list of items.

## **12. PUBLIC COMMENT**

David Osgood - I'm with Rincon Neighbors Organization. I live down the street. I wanted to give you an update on the Epic Restaurant expansion at Rincon Park. Not only is there a concern about that expansion, but also the expansion of many of the restaurants along the Embarcadero that I understand most of them want to add these tacky metal and plastic extensions that just seem to me about one grade above a Sears storage unit. I don't know where people got the idea that those tacky little buildings are okay, but if I can just respectfully remind you folks, I think you have an obligation to maintain the fairly formal and elegant architecture that's up and down the Embarcadero. These tacky permanent restaurant extensions are not okay. I pointed out at your last meeting how the Port's deviations from its own RFP for the Rincon Park restaurant created a lose, lose, lose situation. No one seems to be happy with the restaurants. To recap, the developer was allowed to violate the RFP's restrictions by building a second restaurant, by exceeding the square footage by over 50%, and by adding second stories and exceeding the height limit. The Epic Restaurant is completely outside the area allowed for buildings shown on a map in the RFP. This is the map. Because of these violations, the operator is now crying that he needs more room. If you'd stuck to your guns and kept it at one restaurant, there would be more than enough room to build the current edition, which you have a schematic of. The Port staff told the operator he would have to go to the Rincon Port Point South Beach CAC for approval. Well, the CAC shot it down, and keep in mind, this is a very conservative, pro-development CAC. I know. I served on it for two years. They literally rubberstamped everything, usually unanimously but the CAC said no. This project is too much. So what did they do? The operator and Port staff started calling this addition a canopy. They were doing that because the restaurant is allowed to have a canopy, but this is not a canopy, folks. I've seen the formal definition of canopy and a canopy is one of those awning type things that sticks out from a building's doorway to the curb over the sidewalk. They then went back to the CAC with another plan, and the CAC shot down the project a second time. They stated very clearly that the plastic siding now being proposed is not acceptable. So this project never dies. The Port should be telling the operator, look, this is not a canopy. The community has spoken. Your restaurant complex is already 50% oversized. Sorry, there are limits. You designed the restaurants the way you wanted them, and you need to live with what you designed. We don't want tacky metal and plastic sheds at Rincon Park, and we don't want them lining the Embarcadero either.





### **13. ADJOURNMENT**

ACTION: Commissioner Brandon moved approval to adjourn the meeting;  
Commissioner Lazarus seconded the motion. All of the Commissioners were in favor.

Commission President Woo Ho adjourned the meeting at 5:30 p.m.



# SAN FRANCISCO PORT COMMISSION

Doreen Woo Ho, President  
Kimberly Brandon, Vice President  
Francis X. Crowley, Commissioner  
Leslie Katz, Commissioner  
Ann Lazarus, Commissioner

Monique Moyer, Executive Director  
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary  
Phone: 415-274-0406; Fax 415-274-0412

## AGENDA

**TUESDAY, FEBRUARY 28, 2012**  
**2:00 P.M. CLOSED SESSION**  
**3:15 P.M. OPEN SESSION**

**PORT COMMISSION HEARING ROOM, SECOND FLOOR**  
**FERRY BUILDING, SAN FRANCISCO CA 94111**

**PLEASE NOTE THE DATE & TIME OF THE MEETING**

*The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at [www.sfport.com](http://www.sfport.com). The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.*

1. **CALL TO ORDER / ROLL CALL**
2. **APPROVAL OF MINUTES** – February 14, 2012
3. **PUBLIC COMMENT ON EXECUTIVE SESSION**
4. **EXECUTIVE SESSION**
  - A. Vote on whether to hold closed session.

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GOVERNMENT  
DOCUMENTS DEPT

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An Executive Session has been calendared to discuss the following matter:

- (1) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED LITIGATION MATTER (DISCUSSION AND ACTION):





- a. Discuss anticipated litigation matter pursuant to Section 54956.9(b) of the California Government Code and Section 67.10(d) of the City and County of San Francisco Administrative Code.

  X   As Defendant        As Plaintiff

Anticipated litigation regarding the City and potential plaintiffs, Golden Gate Audobon Society, Telegraph Hill Dwellers, the Sierra Club, Waterfront Watch, and San Francisco Tomorrow regarding the approval of the James R. Herman Cruise Ship Terminal and Northeast Wharf Plaza Project.

## **5. RECONVENE IN OPEN SESSION**

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67-12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

## **6. ANNOUNCEMENTS**

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting:

Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

- B. Announcement of Time Allotment for Public Comments

Please be advised a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

## **7. EXECUTIVE**

- A. Executive Director's Report
- Commendation for Robert Bryan, Port Legal Counsel
  - Sunday Streets presents its 2012 debut - March 11, 2012 along the Embarcadero, from Terry Francois St. (at Illinois St.) to Fisherman's Wharf



## **8. CONSENT**

- A. Request approval of the Port's Biennial Operating Budget for Fiscal Years 2012/13 and 2013/14. (Resolution No. 12-15)
- B. Request approval of the Port's Proposed \$22.4 million Capital Project Budget Funding for Fiscal Years 2012/13 and 2013/14. (Resolution No. 12-16)

## **9. FINANCE & ADMINISTRATION**

- A. Informational presentation on the Port's proposed 10-Year Capital Plan for Fiscal Years 2013-2022.
- B. Informational presentation on proposed Port Policy designating Annual Operating Funds for 10-Year Capital Plan Expenses.

## **10. PLANNING & DEVELOPMENT**

- A. Informational presentation on proposed San Francisco Bay Conservation and Development Commission Special Area Plan amendment for Pier 27 Cruise Terminal and Northeast Wharf Project and 34<sup>th</sup> America's Cup Project.
- B. Request approval of proposed amendments to the Port Harbor Traffic Code allowing certain parking restrictions and installation of parking meters on improved Port streets east of Third Street between Mission Creek and Mariposa Streets. (Resolution No. 12-17)
- C. Request approval to award the Pier 70 20<sup>th</sup> Street Historic Buildings development opportunity to Orton Development, Inc. and to enter into exclusive negotiations for a lease and development agreement of these buildings to achieve the objectives specified in the Port's October 4, 2011 Request for Proposals. (Resolution No. 12-18)

## **11. MARITIME**

- A. Request approval of business terms for a proposed Sixth Amendment to Lease L-11320 with BAE Systems San Francisco Ship Repair, Inc. for a portion of Pier 70 Plan area and authorization of Executive Director, or her designee, to negotiate and enter into the proposed Sixth Amendment. (Resolution No. 12-19)

## **12. REAL ESTATE**

- A. Informational presentation regarding a prospective Sole Source Retail Lease between the Port of San Francisco and Teatro Zinzanni for premises at SWL 324, located at the northwest corner of The Embarcadero and Broadway.
- B. Request approval of direct negotiation with Golden Bear Restaurant Company III, a California Limited Liability Company for a Sole Source Lease of Kelly's



Mission Rock Restaurant located at 817 Terry Francois Boulevard under the terms and conditions of the Port's Retail Leasing Policy. (Resolution No. 12-20)

**13. NEW BUSINESS**

**14. PUBLIC COMMENT**

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

**15. ADJOURNMENT**





## **FORWARD CALENDAR (Targeted Commission Meeting, Subject to Change)**

- Informational presentation on the Port's 5-Year Financial Plan (March 13, 2012)
- Informational presentation on findings and recommendations of the Feasibility Study and Remedial Action Plan to address contamination at Pier 70 (March 13, 2012)
- Request authorization to award Construction Contract No. 2723, Pier 70 Building 113 Stabilization (March 13, 2012)
- Request adoption of California Environmental Quality Act Findings and the Mitigation Monitoring and Reporting Program in connection with the development of Seawall Lot ("SWL") 351 by San Francisco Waterfront Partners II, LLC, a Delaware limited liability company (located on the Embarcadero at Washington Street) (March 13, 2012)
- Request approval of the (1) Disposition and Development Agreement, (2) Lease for a term of 66 years, (3) Purchase and Sale Agreement, (4) Trust Exchange Agreement, (5) Amended Exclusive Negotiation Agreement, (6) Maintenance Agreement, all with San Francisco Waterfront Partners II, LLC, a Delaware limited liability company, and (7) Schematic Drawings; all in connection with the development of SWL 351 (located on the Embarcadero at Washington Street) (March 13, 2012)
- Request authorization to advertise a Request for Qualifications (RFQ) soliciting As-Needed Engineering and Related Professional Services for three contracts, at \$1.5 million each, totaling \$4.5 million (March 13, 2012)
- Request authorization to award Construction Contract No. 2743, Pier 33 Bulkhead Building Improvements (March 13, 2012)
- Request approval of renewal of lease with Aadvark Storage Unlimited, Inc., dba American Storage Unlimited, Inc. for a term of five years with one five-year option for a 6.29 acre parcel on a portion of Seawall Lot 344, subject to Board of Supervisors' approval (March 13, 2012)
- Informational presentation of the City's plans to reconstruct Jefferson Street between Powell and Hyde Streets in Fisherman's Wharf as a narrowed, two-way street to better accommodate transit, motor vehicles, bicycles and pedestrians (March 27, 2012)
- Request authorization to award Construction Contract No. 2756, Pier 50D Emergency Power Modifications Project (March 27, 2012)
- Informational presentation on Ports' issuance of a Request For Interest (RFI) to provide water taxi service at the Port of San Francisco (April 10, 2012)
- Request approval of lease with Golden Bear Restaurant Company III, a California Limited Liability Company, for the former Kelly's Mission Rock Restaurant at 817 Terry Francois Boulevard, subject to Board of Supervisors approval (April 10, 2012)
- Informational presentation on SWL 337 Associates, LLC's submittal of the Revised Proposal for the development of SWL 337 and Pier 48 pursuant to the Exclusive Negotiation Agreement and consistent with the Request for Proposals and the Financial and Negotiating Principles previously identified (Date to be determined)
- Informational presentation on the status of yellow tagged Port facilities (Date to be determined)
- Request approval of Lease No. L-14957 with Paul's Stores, Inc. DBA Cost/Less Inventory Services, a California Corporation for a term of twenty-four months for premises located at Pier 70, Building 2, and containing approximately 69,358 square feet (Date to be determined)



- Request approval to enter into an agreement with the Bay Area Air Quality Management District to lease locations to operate bike share stations as part of the Bay Area Regional Bike Share Pilot Program (Date to be determined)
- Request approval to enter into an Exclusive Right to Negotiate Agreement (ENA) with Kinder Morgan Operating LP, owned by Kinder Morgan Energy Partners LP, to negotiate terms for entering into a lease of Port property to design, finance, build and operate a bulk cargo marine terminal at Pier 96 (Date to be determined)

### **COMMUNICATIONS TO THE PORT COMMISSION**

#### **FROM FEBRUARY 10, 2012 TO FEBRUARY 23, 2012**

- From Louise Renne, regarding 8 Washington/SWL 351 project
- From Port Commission President Doreen Woo Ho, regarding SWL 351/8 Washington project
- From Hunter Cutting, regarding America's Cup
- From David Osgood, pictures of Rincon Park Restaurants
- From Keith Wagner, Lippe Gaffney Wagner LLP, regarding America's Cup, James Herman Cruise Terminal and Northeast Wharf Plaza
- From Port staff, regarding 2012 San Francisco Neighborhood and Waterfront Parks Bond





**MARCH 2012**  
**CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC**

DATE	TIME	GROUP	LOCATION
March 13	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
March 27	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.

**NOTES:**

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ [www.sfport.com](http://www.sfport.com). The Port Commission meetings can be viewed online at [http://sanfrancisco.granicus.com/ViewPublisher.php?view\\_id=92](http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92). The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or [amy.quesada@sfport.com](mailto:amy.quesada@sfport.com)

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or [rip.malloy@sfport.com](mailto:rip.malloy@sfport.com)

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or [jim.maloney@sfport.com](mailto:jim.maloney@sfport.com)

The Mission Bay Citizens Advisory Committee meets on the 2nd Thursday of the month at 5:00 p.m. at 1700 Owens Street, 2nd Floor. Parking validation is available. Contact Catherine Reilly, San Francisco Redevelopment Agency, at [catherine.reilly@sfgov.org](mailto:catherine.reilly@sfgov.org)

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or [jonathan.stern@sfport.com](mailto:jonathan.stern@sfport.com)

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or [mark.paez@sfport.com](mailto:mark.paez@sfport.com)

The Rincon Point-South Beach Citizens Advisory Committee meets on a quarterly basis (the FOURTH MONDAY OF JANUARY AND THIRD MONDAYS IN APRIL, JULY, and OCTOBER), starting at 5:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Catherine Reilly, Assistant Project Manager, Redevelopment Agency, @ 749-2516 or [Catherine.Reilly/REDEV/SFGOV@SFGOV](mailto:Catherine.Reilly/REDEV/SFGOV@SFGOV)

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or [david.beaupre@sfport.com](mailto:david.beaupre@sfport.com)

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or [dan.hodapp@sfport.com](mailto:dan.hodapp@sfport.com)



## **FERRY BUILDING:**

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

## **PIER 1:**

The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.

### **Accessible meeting information policy:**

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.





**Know Your Rights Under the Sunshine Ordinance:**

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at [sotf@sfgov.org](mailto:sotf@sfgov.org). Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

**NOTICES****Prohibition of Ringing of Sound Producing Devices:**

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

**Lobbyist Registration and Reporting Requirements:**

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: [www.sfgov.org/ethics](http://www.sfgov.org/ethics).







## MEMORANDUM

February 23, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer *M Moyer*  
Executive Director

**SUBJECT:** Request approval of the Port's Fiscal Year (FY) 2012/13 and FY 2013/14 Biennial Operating Budget

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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On February 14, 2012, Port staff presented an informational report to the Port Commission on the proposed biennial operating budget for FY 2012/13 and FY 2013/14. Since that time, staff finalized approval of one 1054 Principal Information Systems Business Analyst position within the Finance and Administration Division, as detailed in the expenditure section of this report. However, no other substantive changes have been made to the report or the budget since the Port Commission's review. The remainder of this report is identical to the report issued on February 10, 2012 and presented at the last meeting.

The proposed budget will change based on final labor contracts that are currently being negotiated and to reflect final work order amounts. The budget will also change due to input from Mayor Edwin Lee and the Board of Supervisors.

### Recommendation

Based on the Port's operating and annual project needs and available funding sources, Port staff submits the proposed Biennial Operating Budget for FY 2012/13 and FY 2013/14 and recommends the Port Commission approve the proposed budget for submission to Mayor Edwin Lee and the Board of Supervisors.

This Print Covers Calendar Item No. 8A



Port staff will return to the Port Commission later this summer to report on the adopted Biennial Operating Budget for FY 2012/13 and FY 2013/14 and detail for Port Commission approval changes made by staff, the Mayor or the Board of Supervisors.

### **City Budget Outlook**

The Mayor's Budget Office projects General Fund shortfalls of \$262.7 million in FY 2012/13 and \$375.3 million in FY 2013/14.<sup>1</sup> These projections are based on current operations and staffing levels and show escalating expenditures (\$282.5 million; \$480.3 million) offset by growth in sources (\$19.8 million; \$105.0 million) in each fiscal year. The greatest impact to the City's expenditures is employee salary and benefit costs, with \$112.3 million and \$205.1 million growth in FY 2012/13 and FY 2013/14. Notably, the General Fund sources reflect considerable growth in General Tax Revenue (\$178.1 million; \$295.1 million) that is unfortunately offset by the loss of available Fund Balance that was included in the FY 2011/12 budget (-\$112.3 million; -\$205.1 million). This outcome is representative of why the City is striving for more budget stability by reducing the use of one-time sources.

In order to address the shortfalls, Mayor Lee directed General Fund departments to submit ongoing savings solutions equal to 5% of their General Fund support for each fiscal year. Departments were also directed to submit contingency savings of 2.5% that could be implemented for either year. Finally, in addition to other savings solutions, Mayor Lee directed General Fund departments to identify positions that can be eliminated to reduce Citywide General Fund Full Time Equivalents (FTEs) by 1% each year.

As an enterprise department that does not rely on General Fund support, the Port is not required to comply with the Mayor's Budget Instructions related to budget reductions. However, as a member of the City family it is important to be cognizant of the changes required of General Fund departments. While staff strove to identify areas for workorder savings within our budget to offset the Port's own growing expenses in areas such as employee salary and fringe benefits and capital needs, there is no impact on General Fund workorders. The Proposed budget continues to utilize the support of other City departments that provide a variety of services including: advancing capital projects, ensuring public safety, and implementing the parking meter program. Additionally, the budget includes one proposal to transfer an existing Planner III position from the Planning Department, which will contribute to that department's efforts to reduce General Fund FTEs.

### **Comparison of Budgets**

Last year the Port Commission approved the FY 2011/12 and FY 2012/13 Biennial Operating Budget. While this will be the third year that the Port has prepared a two year budget, since the City is not yet on a fixed two year cycle Port staff prepared an updated FY 2012/13 and a new FY 2013/14 budget. Changes outlined in this document for the Proposed FY 2012/13 budget are relative to the FY 2012/13 approved

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<sup>1</sup> The deficits for FY 2012/13 and FY 2013/14 are 54% and 35% less, respectively, than the \$575.6 million shortfall addressed in the worst recent budget year of FY 2009/10.





budget in the City's Annual Appropriations Ordinance (AAO), so that there is a clear reference to the Port Commission's prior decisions. The Proposed FY 2013/14 budget is then compared to the Proposed FY 2012/13 budget, so that the incremental change year-to-year is clear.

### **Two Year Budget Process**

Unlike the past two fiscal years, this FY 2012/13 and FY 2013/14 biennial budget will truly adhere to a fixed two-year cycle, such that the subsequent budget submission and adoption will be for FY 2014-15 and FY 2015-16. Port staff has found the biennial budget process to be both valuable and challenging due to its very nature of forcing us to plan ahead; however, over the next two years the Port will have the added task of sticking to our plan. Fortunately the City will provide the opportunity for departments to submit needed modifications to the FY 2013/14 budget in the form of a supplemental appropriation in February 2013.<sup>2</sup> Policymakers will review incremental changes, which is much less in depth than a typical budget review like this year, and focus more on long term planning as departments update their Five Year Financial Plans. Port staff will seek the Port Commission's approval for adjustments to the budget prior to submitting changes to the Mayor and Board of Supervisors and intends to schedule Port Commission review at the same time as the update on the Five Year Financial Plan.

### **Budgeting to Actuals for Future Capital Investments**

Through the Five Year Financial Plan of FY 2011/12 through FY 2015/16,<sup>3</sup> Port staff identified a trend of growing operating expenses that outpace revenues, leading to an operating deficit and declining capital investments beginning in FY 2013/14. In an effort to shift this trend, Port staff sought to more accurately estimate expenditure needs and revenues within the biennial budget. Specifically, due in part to the economic challenges of recent years, the Port has historically realized annual surpluses from under spending and generating revenues above budget. While those funds would then fall to Fund Balance at year end to support the Port's Capital Budget, this did not allow the Port Commission to utilize all sources to plan for and prioritize capital needs. In contrast this proposed budget keeps expenditures low and captures trends of growing revenue, as identified by revenue surpluses amounting to \$7.0 million in FY 2010/11 and \$5.3 million projected for FY 2011/12.<sup>4</sup>

As a result of the budget adjustments applied to this biennial budget, for the first time staff was able to designate surplus revenues to future capital investments that will be applied to the Capital Budget. Reaching a surplus to designate towards future capital required staff to examine tradeoffs between the operating and capital budgets. For

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<sup>2</sup> The threshold for modifications to the second year of the biennial operating or capital budget is greater than five percent of the difference between the projected and the adopted budget expenditures or revenues.

<sup>3</sup> The City's Five Year Financial Plan of FY 2011/12 through FY 2015/16 was adopted by the Board of Supervisors on June 7, 2011 and an update was provided to the Port Commission on July 12, 2011. A copy of the Plan is available on the Mayor's Office website at <http://sfmayor.org/index.aspx?page=478>.

<sup>4</sup> As described in more detail below, under the header "Revenue", these trends are most clearly reflected in commercial/industrial rents, parking and cruise revenues.



example, staff included a \$2.0 million annual project in the Proposed operating budget that will cover potential operating expenditures related to the 34th America's Cup (America's Cup), including possible tenant litigation expenses. While those funds could be used towards capital needs, staff recognized the potential risks that face the Port's operating budget as a result of the America's Cup event.

In an effort to institutionalize annual savings for future capital spending and plan for and address growing deferred maintenance, staff will propose a policy to annually designate a percentage of operating surplus to the Port's 10-Year Capital Plan. Staff will bring this policy to the Port Commission to consider on February 28, 2012. With the Port Commission's support, this policy will correct the trends of a declining repair and replacement capital budget projection through a requirement to contain operating expenses.

## **BUDGET OVERVIEW**

The Proposed FY 2012/13 budget is \$96.6 million, which is an \$8.5 million (9.7%) increase over the FY 2012/13 approved budget.<sup>5</sup> This includes \$71.9 million for the Operating Budget, a \$2.9 million (4.2%) increase, and \$14.8 million for the Capital Budget, which is a \$5.8 million (65.0%) increase. The Proposed FY 2013/14 budget is \$98.2 million, which is a \$1.7 million (1.7%) increase from the Proposed FY 2012/13 budget. This includes \$72.1 million for the Operating Budget, a \$0.2 million (0.3%) increase, and \$16.0 million for the Capital Budget, a \$1.2 million (8.2%) increase. In both years the budget also supports the 15% operating reserve requirement that was implemented by the Port Commission in February 2008. Notably, the Capital Budget now includes the designation of surplus operating revenues to future capital, with funding of \$2.9 million in FY 2012/13 and \$5.5 million in FY 2013/14. The Port is able to afford the increases to the budget as a result of additional sources of funds that are detailed below.

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<sup>5</sup> The FY 2012/13 was adopted as part of the biennial budget by the Port Commission at its February 17, 2011 meeting and by the Board of Supervisors on July 26, 2011.





**Table 1: Summary of Total Port Sources and Uses**

	Budget 2011/12	Approved 2012/13	Proposed 2012/13	Change from Approved 2012/13		Proposed 2013/14	Change from Proposed 2012/13	
				Amount	Percent		Amount	Percent
<b>Sources</b>								
Estimated Fund Balance	\$18,558,550	\$18,000,000	\$21,475,982	\$3,475,982	19.3%	\$21,009,812	(\$466,170)	-2.2%
Operating Revenue	68,943,254	69,493,752	74,533,264	5,039,512	7.3%	76,659,494	2,126,230	2.9%
Transbay Payment	550,000	550,000	550,000	-	0.0%	550,000	-	0.0%
Capital Project Defunding	3,114,870	-	-	-	0.0%	-	-	0.0%
<b>Total Sources</b>	<b>\$91,166,674</b>	<b>\$88,043,752</b>	<b>\$96,559,246</b>	<b>\$ 8,515,493</b>	<b>9.7%</b>	<b>\$98,219,306</b>	<b>\$ 1,660,060</b>	<b>1.7%</b>
<b>Uses</b>								
Operating Expense	\$62,710,261	\$65,224,596	\$65,860,879	\$ 636,283	1.0%	\$67,580,232	\$ 1,719,353	2.6%
Annual Projects	3,602,812	3,784,272	6,036,905	2,252,633	59.5%	4,500,747	(1,536,159)	-25.4%
Operating Budget, Subtotal	66,313,073	69,008,868	71,897,784	2,888,916	4.2%	72,080,979	183,195	0.3%
Operating Reserve*	9,433,484	10,078,431	9,879,132	(199,300)	-2.0%	10,137,035	257,903	2.6%
Capital Appropriations	15,420,117	8,956,453	11,851,650	2,895,197	32.3%	10,500,000	(1,351,650)	-11.4%
Designated, Capital Plan	-	-	2,930,680	2,930,680	0.0%	5,501,292	2,570,612	87.7%
Capital Budget, Subtotal	15,420,117	8,956,453	14,782,330	5,825,877	65.0%	16,001,292	1,218,962	8.2%
<b>Total Uses</b>	<b>\$91,166,674</b>	<b>\$88,043,752</b>	<b>\$96,559,246</b>	<b>\$ 8,515,493</b>	<b>9.7%</b>	<b>\$98,219,306</b>	<b>\$ 1,660,060</b>	<b>1.7%</b>
* 15 percent of Operating Expense								

\* 15 percent of Operating Expense

## SOURCES

Compared to the FY 2012/13 approved budget, available sources improved by a significant \$8.5 million (9.7%) in FY 2012/13 and increased by an additional \$1.7 million (1.7%) in FY 2013/14. The two drivers to this change are in Fund Balance and Operating Revenue.

### Fund Balance

The Port's Fund Balance is used to fund the 15% operating reserve and capital projects. Due to budgeting conservatively relative to actual outcomes in revenue and expenditures, the Port accumulated \$3.5 million (19.3%) more Fund Balance than what was included in the approved FY 2012/13 budget. Specifically, in FY 2010/11 the Port had a surplus of \$6.0 million in expenditures and \$7.0 million in revenues that contributed a total of \$13.0 million to Fund Balance for FY 2012/13. In FY 2013/14 Fund Balance will remain relatively stable due in part to the \$2.9 million designation of surplus operating revenues to future capital that is included in the Proposed FY 2012/13 budget. Additionally, through the completion of the City's Six Month Report for FY 2011/12, staff projects a \$10.2 million year-end surplus that includes \$5.5 million in revenues and \$4.7 million in expenditure savings.<sup>6</sup> Identification of these funds could not come at a better time, given the ongoing demands on the Capital Budget.

<sup>6</sup> The Six Month Report is published by the Controller's Office and provides expenditure and revenue projections for the remainder of the fiscal year that are useful for identifying potential problem areas in the current year as well as trends that may be applied to the next biennial budget.





## Revenue

The proposed \$74.5 million FY 2012/13 revenue budget reflects a \$5.0 million (7.3%) increase and the proposed \$76.7 million FY 2013/14 budget reflects a \$2.1 million (2.9%) increase over the prior budget. These increases, while significant, reflect the efforts on the part of Port staff to accurately capture projected improvements in revenues resulting from a strengthening economy.

**Table 2: Summary of Port Operating Revenues**

	Budget 2011/12	Approved 2012/13	Proposed 2012/13	Change from Approved 2012/13		Proposed 2013/14	Change from Proposed 2012/13	
				Amount	Percent		Amount	Percent
Commercial/Industrial	\$ 40,130,760	\$ 41,092,258	\$ 43,519,000	\$ 2,426,742	5.9%	\$ 44,482,000	\$ 963,000	2.2%
Parking	13,556,000	13,169,000	14,659,000	1,490,000	11.3%	15,200,000	541,000	3.7%
Cruise	2,011,000	1,751,000	2,671,800	920,800	52.6%	3,162,000	490,200	18.3%
Ship Repair	975,000	980,000	1,000,000	20,000	2.0%	1,200,000	200,000	20.0%
Other Marine	1,415,000	1,423,000	1,576,800	153,800	10.8%	1,607,000	30,200	1.9%
Cargo	4,589,000	4,694,500	4,845,020	150,520	3.2%	4,795,200	(49,820)	-1.0%
Special Events	134,000	135,000	188,000	53,000	39.3%	47,000	(141,000)	-75.0%
Harbor Service's	2,070,000	2,120,000	1,944,750	(175,250)	-8.3%	1,992,300	47,550	2.4%
Misc Services (RE)	137,000	138,000	164,000	26,000	18.8%	168,000	4,000	2.4%
Fishing	2,067,000	2,095,000	2,068,900	(26,100)	-1.2%	2,110,000	41,100	2.0%
Interest on Investments	650,000	812,500	812,500	-	0.0%	812,500	-	0.0%
Permits	500,000	500,000	500,000	-	0.0%	500,000	-	0.0%
Developer Fees	425,000	300,000	300,000	-	0.0%	300,000	-	0.0%
Misc Receipts	228,194	228,194	228,194	-	0.0%	228,194	-	0.0%
Misc Repairs (Mairt.)	30,000	30,000	30,000	-	0.0%	30,000	-	0.0%
Penalties & Svc. Charges	19,300	19,300	19,300	-	0.0%	19,300	-	0.0%
Facility Damage	6,000	6,000	6,000	-	0.0%	6,000	-	0.0%
<b>Total Revenues</b>	<b>\$ 68,943,254</b>	<b>\$ 69,493,752</b>	<b>\$ 74,533,264</b>	<b>\$ 5,039,512</b>	<b>7.3%</b>	<b>\$ 76,659,494</b>	<b>\$ 2,126,230</b>	<b>2.9%</b>

The key trends behind this revenue growth in FY 2012/13 and FY 2013/14 include:

Commercial/Industrial rents are derived from rent and percentage rent from leasing office, retail, warehouse and industrial property to non-maritime industry tenants. Additionally, from FY 2011/12 through 2013/14, the budget includes the payment in lieu of rent revenue from the City, under the terms of a Memorandum of Understanding (MOU) approved by the Board of Supervisors, to reimburse the Port for anticipated rent revenue lost due to the America's Cup.

In FY 2012/13 Commercial/Industrial rent is expected to increase by \$2.4 million (5.9%) due primarily to a \$1.8 million (12.7%) increase in percentage rents resulting from positive economic trends that are being felt along the Waterfront and throughout San Francisco. For example, after the approved FY 2012/13 budget was completed, FY 2010/11 actuals for all Commercial/Industrial rents came in \$1.1 million (2.8%) stronger than anticipated. This increase will occur in keeping with the MOU with the City, which allows the Port to earn up to 3% inflation in percentage rents and increases built into current leases without reducing the City's payment in lieu of rent to the Port.



In FY 2013/14 these revenues are projected to increase by an additional \$1.0 million (2.2%). While the Port will see a \$1.2 million (36.2%) decrease in the City's payment in lieu of rent, as the Port receives properties back to its rent roles after conclusion of the America's Cup, rent and percentage rents are anticipated to improve by \$2.2 million (5.5%) in large part due to expiring rent credits for two key tenants and leasing the newly developed Southern Waterfront Backlands as lay-down space.

Parking revenue is generated from street parking meters, monthly parking stalls, the rental of parking lot space to management operators, and parking ticket fines. In FY 2012/13 parking revenue is projected to increase by \$1.5 million (11.3%) including \$0.7 million (24.6%) for meters and \$0.7 million (49.3%) for fines. Meter revenue is anticipated to increase based on the average monthly revenue since October of 2010, projected revenue from the installation of 142 new parking meters along Terry Francois Boulevard in the Southern Waterfront and 1% inflation. Additionally, fine revenues are improving due to observed FY 2011/12 revenue trends and increased fine revenues expected as the result of expanded meter operations and enforcement in the Southern Waterfront.

In FY 2013/14 these revenues are projected to increase by an additional \$0.5 million (3.7%) largely due to 2.5% assumed inflation from current revenue trends. However, there is additional revenue projected for: (a) meters from the installation of parking meters along Illinois Street in the Southern Waterfront, (b) parking rent that will increase along with the anticipated opening of the Exploratorium by the beginning of FY 2013/14 and (c) the return of America's Cup locations for the highest and best interim use prior to the commencement of development.

Cruise revenue is generated from passenger cruise vessel operations, including dockage and wharfage fees that are charged to cruise ships for berthing at Port facilities as well as the loading and unloading of passengers. Cruise revenue also reflects Shoreside Power Electricity Reimbursement, which is collected from cruise lines to offset charges for electricity consumption when ships are connected to the Port's shoreside power facility, resulting in no net cost or revenue to the Port. However, due to relocation of shoreside power facilities required as part of the America's Cup, no shoreside power reimbursement revenue or expenditures are anticipated in FY2012/13 and FY 2013/14.

Notably, Cruise revenues are projected to increase by \$0.9 million (52.6%) in FY 2012/13 and an additional \$0.5 million (18.3%) in FY 2013/14 due to increased cruise call bookings for the 2012 and 2013 cruise seasons. FY 2012/13 wharfage and dockage revenues assume collections for 63 calls and 200,000 passengers compared to 57 calls and 139,000 passengers in FY 2010/11 actuals, which reflects 44.0% growth in passenger volume and directly drives the projected additional revenue. In FY 2013/14 wharfage and dockage are projected to increase to 64 vessel calls and 240,000 passengers, reflecting an additional 20.0% increase in passenger volume.

Staff views these increases as clear signs of economic recovery as well as growing demand for San Francisco as a cruise destination. Additionally, cruise ships are simply





getting larger, allowing for more passenger volume per cruise call. Each year the City of San Francisco generates approximately \$900,000 in tax revenue as a result of cruise calls; the increase in visits should contribute to the City's as well as the Port's improved economic outlooks.

Ship Repair revenue is generated from BAE Systems ship repair operations at Pier 70. While revenue is relatively flat in FY 2012/13, in FY 2013/14 revenue will increase by \$0.2 million (20.0%) due primarily to growth in percentage rent from BAE.

Other Marine revenue is composed of ferries, boat works, marinas, ceremonial and idle ship berthing, and miscellaneous marine-related tenants. These revenues are projected to increase by \$0.2 million (10.8%) in FY 2012/13 and remain relatively flat in FY 2013/14 due to the execution of two new leases in 2011.

Cargo revenue is derived from cargo shipping operations and related rents including dockage fees, wharfage fees, crane rental fees and rent from leasing property to tenants. These revenues are projected to increase \$0.2 million (3.2%) in FY 2012/13 and then decline by less than \$0.1 million (1.0%) in FY 2013/14. These estimates are based on (a) increased activity at the San Francisco Bay Railroad and (b) increased wharfage and dockage at Piers 92 and 94 for aggregate/sand, based on an upturn in demand for building materials. In FY 2013/14 these estimates are offset by uncertainty related to future dockage of the *U.S. Tripoli* and *Matsonia*, two ships that typically lay-berth at Port facilities.

Special Events revenue is derived from short term rental of Port facilities for uses including commercial or public events such as conferences and trade shows. While the FY 2012/13 budget remains relatively flat, in FY 2013/14 the budget is projected to decline by more than \$0.1 million (75.0%) due to the America's Cup, which is anticipated to require the rescheduling and relocation of some annual events.

Harbor Services include tugboat operators, bar pilots and other ship service providers. Unlike other revenue categories, in FY 2012/13 Harbor Services are projected to decrease by \$0.2 million (8.3%) and recover marginally in FY 2013/14 by less than \$0.1 million (2.4%). These changes reflect FY 2010/11 actual revenues, which were below budget due to a lease that was terminated early, offset by 2.5% inflation growth in FY 2013/14.

## **EXPENDITURES**

Overall, the Proposed FY 2012/13 budget is \$96.6 million, which is an \$8.5 million (9.7%) increase over the approved FY 2012/13 budget. The Proposed FY 2013/14 budget is \$98.2 million, which is a \$1.7 million (1.7%) increase. Both fiscal years include funding for Capital and Operating expenditures as well as the 15% operating reserve requirement that was implemented by the Port Commission in 2008.

### **Capital Budget**

The Proposed FY 2012/13 Capital Budget is \$14.8 million, a \$5.8 million (65.0%) increase and includes \$2.9 million of surplus operating revenues that are designated to



capital expenditures in FY 2013/14. In FY 2013/14 the Capital Budget increases by \$1.2 million (8.2%) to a total of \$16.0 million that includes \$5.5 million designated to capital expenditures in the FY 2014/15 budget. As previously discussed, the effort to identify surplus operating revenues is a priority that was identified by Port staff to avoid a decline in capital expenditures. The details of the Capital Budget are described in the Capital Budget staff report.

### Operating Expenditures

Compared to the FY 2012/13 approved budget, the Proposed FY 2012/13 expenditure budget of \$71.9 million is a \$2.9 million (4.2%) increase over the FY 2012/13 approved budget. Aside from Annual Projects, which includes a \$2.0 million project for America's Cup operational expenses, staff was able to keep the Proposed FY 2012/13 expenditure budget relatively flat compared to the FY 2012/13 approved expenditure budget with \$0.9 million (1%) growth in areas that either generate additional revenue or address critical operational needs.

The Proposed FY 2013/14 budget of \$72.1 million is a \$0.2 million (0.3%) increase from the Proposed FY 2012/13 budget. This includes a reduction to Annual Projects of \$1.5 million (25.4%) that is offset by growing salary and fringe benefit expenditures (\$1.3 million), workorders (\$0.3 million) and Other Current Expenses (\$0.1 million).

**Table 3: Summary of Port Operating Expenditures**

	Budget 2011/12	Approved 2012/13	Proposed 2012/13	Change from Approved 2012/13		Proposed 2013/14	Change from Proposed 2012/13	
				Amount	Percent		Amount	Percent
Salaries & Benefits	\$ 30,509,095	\$ 32,537,908	\$ 33,246,928	\$ 709,020	2.2%	\$ 34,779,525	\$ 1,532,597	4.6%
City-wide Overhead	-	-	-	-	0.0%	-	-	0.0%
Other Current Expenses	10,686,554	10,537,042	10,656,546	119,504	1.1%	10,776,924	120,378	1.1%
Materials and Supplies	1,297,468	1,304,740	1,374,166	69,426	5.3%	1,428,598	54,432	4.0%
Capital Outlay (Equipment)	493,898	339,384	560,880	221,496	65.3%	544,756	(16,124)	-2.9%
Annual Projects	3,602,812	3,784,272	6,036,905	2,252,633	59.5%	4,500,747	(1,536,159)	-25.4%
Debt Service	3,850,937	4,672,445	4,577,637	(94,808)	-2.0%	4,516,268	(61,369)	-1.3%
Interdept. Workorders:	16,039,477	16,000,245	16,214,452	214,207	1.3%	16,522,610	308,158	1.9%
MTA Meter Collections	835,000	835,000	1,247,000	412,000	49.3%	1,274,000	27,000	2.2%
MTA Traffic Enforcement	663,739	707,317	849,800	142,483	20.1%	856,800	7,000	0.8%
Police Security	476,332	487,748	509,000	21,252	4.4%	630,900	121,900	23.9%
Insurance & Risk	2,145,204	2,145,204	2,145,204	-	0.0%	2,145,204	-	0.0%
City Attorney Services	2,859,022	2,859,022	2,859,022	-	0.0%	2,859,022	-	0.0%
Fire Protection	3,148,199	3,253,230	3,266,659	13,429	0.4%	3,332,093	65,434	2.0%
Workers Compensation	1,049,189	1,049,189	945,000	(104,189)	-9.9%	990,000	45,000	4.8%
PUC Utilities	1,720,175	1,517,927	1,267,101	(250,826)	-16.5%	1,309,185	42,084	3.3%
All other Departments	3,142,617	3,145,608	3,125,666	(19,942)	-0.6%	3,125,406	(260)	0.0%
Interdept. Recoveries	(167,168)	(167,168)	(60,000)	107,168	-64.1%	(60,000)	-	0.0%
<b>Total Expenditures</b>	<b>\$ 66,313,073</b>	<b>\$ 69,008,868</b>	<b>\$ 72,607,514</b>	<b>\$ 3,598,646</b>	<b>5.2%</b>	<b>\$ 73,009,428</b>	<b>\$ 401,913</b>	<b>0.6%</b>

The specific trends behind the expenditure changes in FY 2012/13 and FY 2013/14 are as follows:





Salaries and Fringe Benefits for Port employees remained flat in the Proposed 2012/13 budget, but includes \$0.7 million in new salaries and fringe expenses related to the staffing proposals detailed below, offset by \$0.7 million in savings resulting from the passage of the pension reform measure, Proposition C.<sup>7</sup> In FY 2013/14 salaries and benefit costs increase by \$1.3 million (4.0%) as a result of an additional \$0.2 million from staffing proposals outlined below and a \$1.1 million increase in benefit expenses, including \$0.8 million for retirement contributions, \$0.2 million for health services and \$0.1 million for dependent and dental coverage.

The San Francisco Retirement Board recently ruled to reduce the required employee contribution from 7.75% to 7.5% and increase the City contribution for a period of time until the retirement system is brought back to its pre-economic downturn funding levels. As a result, this savings were reduced by approximately \$0.1 million in FY 2012/13 and \$0.5 million in FY 2013/14.

A noteworthy change that the Port should be prepared for is the outcome of labor negotiations that are currently underway with all major labor groups in the City. The Proposed FY 2012/13 budget currently assumes higher salary expenditures as a result of the expiration of 4.62% labor concessions at the end of FY 2011/12.<sup>8</sup> Assuming that new agreements will be reached, the Port should expect to see salary and/or fringe savings that will be implemented in Mayor Lee's submitted citywide budget.

The Port's current Full Time Equivalent (FTE) count for FY 2012/13 is 243.42 FTE. The proposals below increase that FTE count by 7.0 FTE over the two fiscal years, including 6.0 FTE in FY 2012/13 and an additional 1.0 FTE in FY 2013/14, for a new total of 250.42 FTEs. The details below provide type of change, job classification and title, FTE adjustment, salary change<sup>9</sup> by fiscal year, division and description for each position change. Notably, staff added one new 1054 Principal IS Business Analyst to the budget per the approval and direction of the Port's Executive Director. While this position contributes one additional FTE to the budget, staff assumed the salary and fringe benefits within the budget that was presented to the Commission on February 16, 2012 so funding levels have not changed.

#### *New Positions*

<b>1054 Principal IS Bus. Analyst</b>	<b>1.0 FTE</b>	<b>\$121,628 FY12/13</b>	<b>\$122,096 FY13/14</b>
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(Finance and Administration) This position will be responsible for supporting and upgrading the Port's current Oracle financial and asset management systems. The position is also needed to retire older systems that no longer adequately serve the Port's business, such as custom payroll and workorder management systems that are time sensitive and keep IT staff from completing other key applications such as PropWorks.

<sup>7</sup> Proposition C increased retirement contributions by workers and rose the minimum retirement age for some labor groups. Citywide, this measure is expected to save \$1.3 billion over the next decade.

<sup>8</sup> Actual contract costs depend on negotiated agreements.

<sup>9</sup> The total cost of each position includes mandatory fringe benefits, which on average accounts for approximately 40% of salary expenses.





<b>5291 Planner III</b>	1.0 FTE	\$99,944 FY12/13	\$99,859 FY13/14
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(Planning and Development) Create a new Planner III position with community planning and urban design experience to meet new near-term planning work requirements for BCDC SAP amendments for the Cruise Terminal project and America's Cup and help relieve urban design review workload.

<b>1244 Senior Personnel Analyst</b>	1.0 FTE	\$99,944 FY12/13	\$100,328 FY13/14
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(Finance and Administration) This Limited Term position will manage labor issues within the Maintenance Division, building employee morale and relations and ensuring compliance with labor agreements.

<b>7514 General Laborer</b>	1.0 FTE	\$59,306 FY12/13	\$59,534 FY13/14
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(Maintenance) This position is necessary to cover expanded work load with the addition of the new Fisherman's Wharf Promenade, Brannan Street Wharf and the 2013 America's Cup.

#### *Transfer of Function*

<b>Workorder to City Planning</b>	NA	-\$99,476 FY12/13	-\$99,859 FY13/14
<b><u>5291 Planner III</u></b>	<u>1.0 FTE</u>	<u>\$99,476 FY12/13</u>	<u>\$99,859 FY13/14</u>
<b>Net Change</b>	<b>1.0 FTE</b>	<b>\$0 FY12/13</b>	<b>\$0 FY13/14</b>

(Planning and Development) For years the Port has paid a workorder to the City Planning Department that covered the salary and fringe expenses of 1.0 FTE Planner III. Port staff now recommends transferring this Planner III position to the Port in FY 2012/13 and reducing the workorder by an equal amount.

#### *Substitutions*

<b>5291 Planner III</b>	-1.0 FTE	-\$0 FY12/13	-\$99,859 FY13/14
<b><u>5293 Planner IV</u></b>	<u>1.0 FTE</u>	<u>\$0 FY12/13</u>	<u>\$118,468 FY13/14</u>
<b>Net Change</b>	<b>0.0 FTE</b>	<b>\$0 FY12/13</b>	<b>-\$18,609 FY13/14</b>

(Planning and Development) After transferring an existing Planner III from the Planning Department to the Port in FY 2012/13 (see transfer request), in exchange for reducing the existing workorder that funds the position, staff recommends substituting the position up to a Planner IV in FY 2013/14 in order to provide more parity with Port urban design functions. This proposal is currently undergoing a classification review.

<b>6138 Industrial Hygienist</b>	-1.0 FTE	-\$111,228 FY12/13	-\$111,656 FY13/14
<b><u>6139 Sr. Industrial Hygienist</u></b>	<u>1.0 FTE</u>	<u>\$122,642 FY12/13</u>	<u>\$123,114 FY13/14</u>
<b>Net Change</b>	<b>0.0 FTE</b>	<b>\$11,414 FY12/13</b>	<b>\$11,458 FY13/14</b>

(Maintenance) The role of the certified Industrial Hygienist within the Health and Safety program has expanded beyond the regular duties of the junior level, such as sampling and evaluation of hazardous materials, and has increased duties reflective of a senior position. Examples of the higher level responsibilities include management of: environmental and regulatory compliance issues for the Maintenance Division; Port-wide hazardous waste program; annual HazWopper and oil spill response planning; oil spill response and reporting; and review of building permits and construction, demolition and hazardous materials handling plans.



<b>9330 Pile Worker</b>	-1.0 FTE	-\$86,502 FY12/13	-\$86,835 FY13/14
<b><u>9229 Sr. Pile Driver Apprentice</u></b>	<u>1.0 FTE</u>	<u>\$77,852 FY12/13</u>	<u>\$78,152 FY13/14</u>
<b>Net Change</b>	<b>0.0 FTE</b>	<b>-\$8,650 FY12/13</b>	<b>-\$8,684 FY13/14</b>

(Maintenance) In FY 2010/11 the Port added a new Pile Worker position to the budget with the intent of filling it with an apprentice. At the time the City did not have apprentice classifications, so it was necessary to budget a regular classification. The City now has these apprentice classifications in place and staff recommends reclassifying the position to achieve consistency and also capture salary and fringe savings.

#### *Substitutions from Project to Operating Funds*

Each of the following positions is currently budgeted under the Port's Continuing Projects Fund (5P-AAA-ACP) due to prior project funding that supported them. These positions no longer have 100% support from projects and now serve primarily operating functions that warrant reassigning them to the Operating Fund (5P-AAA-AAA).

<b>5504 Project Manager II</b>	1.0 FTE	\$135,980 FY12/13	\$136,503 FY13/14
<b><u>Budgeted Salary Savings</u></b>	<u>-0.5 FTE</u>	<u>-\$67,990 FY12/13</u>	<u>\$68,252 FY13/14</u>
<b>Net Change</b>	<b>0.5 FTE</b>	<b>\$67,990 FY12/13</b>	<b>\$68,252 FY13/14</b>

(Executive) This position supports the Homeland Security section of the Executive Division. Grant funding that previously supported the position has now expired, however the position is still critical for providing analysis and support of the Homeland Security initiatives within the department including oversight of security services, Police workorders and implementation of the grant-funded Security Camera and Access System. Staff will continue to seek grant funds to support the position, allowing the Port to offset the expense with assumed salary savings.

<b>5502 Project Manager I</b>	1.0 FTE	\$0 FY12/13	\$117,946 FY13/14
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(Executive) This position supports the Homeland Security section of the Executive Division. Grant funding that previously supported the position will expire in FY 2013/14, however the position is still critical for providing analysis and support of the Homeland Security initiatives within the department.

<b>5299 Planner IV</b>	1.0 FTE	\$118,014 FY12/13	\$118,468 FY13/14
<b><u>Budgeted Salary Savings</u></b>	<u>-0.5 FTE</u>	<u>-\$59,007 FY12/13</u>	<u>-\$59,234 FY13/14</u>
<b>Net Change</b>	<b>0.5 FTE</b>	<b>\$59,007 FY12/13</b>	<b>\$59,234 FY13/14</b>

This position was previously solely assigned to capital projects, but now divides its time on operational support. Staff recommends moving the position to the operating budget but assume 0.5 FTE salary savings to reflect that half of the position's time will be charged to capital projects.





## Reassignments

<b>1842 Management Assistant</b>	-0.5 FTE	Finance & Administration Division
<b><u>1842 Management Assistant</u></b>	<u>0.5 FTE</u>	<u>Executive Division</u>
<b><u>Net Change</u></b>	<b><u>0.0 FTE</u></b>	<b><u>NA</u></b>

(Executive) This position supports the Communications section of the Executive Division, but is currently budgeted under the Finance and Administration Division. This change will realign the budget with actual use of funds and staff.

Other Current Expenses increased by \$0.1 million (1.1%) in FY 2012/13 and by another \$0.1 million (1.2%) in FY 2013/14. Most Port divisions identified savings in this area based upon historical expenditure trends. Alternatively, the Information Services section of the Finance and Administration Division identified new expenditure requirements including ongoing maintenance costs for existing Information Technology (IT) systems.

Capital Outlay (Equipment) increased \$0.2 million (65.3%) in FY 2012/13. Specific requests from divisions included new vehicles in the Finance & Administration Division (2 sedans) and Maintenance Division (one truck) in accordance with the Port's Fleet Management Plan. Additionally, the Maintenance Division requested one Street Sweeper and the Information Services section of the Finance and Administration Division requested equipment for ongoing maintenance of Information Technology infrastructure. The budget remains flat in FY 2013/14, but includes requests for new vehicles in the Finance & Administration Division (two sedans) and Maintenance Division (three trucks) in accordance with the Port's Fleet Management Plan. Additionally, the Maintenance Division requested replacement of two pressure washers.

Annual Projects is the most noteworthy area of growth, with an increase of \$2.3 million (59.5%) in FY 2012/13. This change is primarily from the introduction of a \$2.0 million project that will cover potential operating expenditures related to the America's Cup including possible tenant litigation expenses resulting from relocation of tenants from venue sites, the creation of five temporary parklets along the waterfront as required by BCDC, and environmental monitoring of development along the waterfront. While those funds could be used towards capital expenditures, staff recognized the potential risks that face the Port's operating budget as a result of the America's Cup event. Other key projects that received funding increases are the Pier 80 Leaking Underground Storage Tank (LUST) project (\$0.1 million) and eMerge (\$0.2 million). While the FY 2012/13 approved budget did not include funding, Real Estate staff identified a new need for the Division's Pier 80 LUST project. Funding in FY 2011/12 is being used to excavate contaminated soil at the former storage tanks site, whereas funding in FY 2012/13 is now required to drill monitoring wells and provide for annual monitoring services and funding in FY 2013/14 is required to provide annual monitoring services. Project eMerge, which received funding in FY 2010/11 and FY 2011/12 requires additional funding for an additional 1053 Senior IS Business Analyst to support the project in both FY 2012/13 and FY 2013/14.



In FY 2013/14, Annual Projects decrease by a significant \$1.5 million (25.4%), primarily as a result of decreasing the America's Cup Project by \$1.5 million (73%) to \$0.5 million by eliminating the tenant litigation funding and other one-time expenses anticipated to occur in FY 2012/13.

Workorders, including a Revenue Transfer, increased by \$0.2 million (1.3%) in FY 2012/13 and \$0.3 million (1.9%) in FY 2013/14. The notable changes include:

- In FY 2012/13 the MTA workorder for meter collections increased by \$0.4 million (49.3%) while funding remains relatively flat in FY 2013/14. The increase will support new meters on Terry Francois Boulevard, the initiation of pay-by-phone capability at Port meters, installation of new meters onto Illinois Street and support monitoring of approximately 500 existing parking sensors. The FY 2013/14 budget will support the ongoing operating expenses for all meters and parking sensor monitoring. Notably, the expansion of meters is anticipated to result in additional meter revenue that will offset the cost of installation and operations over time.
- The Port also increased its workorder payments to MTA for traffic enforcement by \$0.1 million (20.1%) in FY 2012/13 while the budget remains relatively flat in FY 2013/14. The increase will allow for additional parking enforcement shifts, commensurate with the expansion of parking meters on Terry Francois Boulevard and Illinois Street. Such expanded enforcement has historically resulted in an increase in fine revenues that are larger than the increase in the cost of enforcement. An increase of less than \$0.1 million (0.8%) in FY 2013/14 is due to increased special event related traffic enforcement anticipated during the America's Cup.
- Workers Compensation is projected to decline by \$0.1 million in FY 2012/13 and remain relatively flat in FY 2013/14 based upon current trends with claims.
- The PUC workorder was reduced by \$0.3 million in FY 2012/13 and will remain relatively low in FY 2013/14 due to the decommissioning of shoreside power for cruise ships at Pier 27 while the Cruise Terminal project is underway. This expense is a pass-through to cruise lines, so this savings is offset by a like reduction to Cruise revenues.
- While the workorder to the Police Department for security services remains relatively flat in FY 2012/13, funding increased by \$0.1 million (23.9%) in FY 2013/14. Whereas some growth is due to the increased demand for police support on the higher volume of cruise days, the majority of growth is related to steady demand for additional police support all along the Waterfront. Particularly, growing cases of vandalism at properties have led to additional unplanned events and undercover operations where armed support is required.

Interdepartmental Recoveries reduced by \$0.1 million (64.1%) in FY 2012/13 and remain constant in FY 2013/14. While this change comes at a cost to the Port, it is due





to a review of actual recoveries for maintenance work, which have historically come in much lower than budgeted.

## **CONCLUSION**

The Port's proposed FY 2012/13 and FY 2013/14 Biennial Operating Budget reflects an \$8.5 million (9.7%) increase in the first year and a \$1.7 million (1.7%) increase in the second. The budgetary growth is due to an effort on the part of staff to institute budget discipline that identified sources of funds, including new Fund Balance and Operating Revenues that were not previously accounted for in the budget. These funds were then used to address three key priorities: 1) protecting the Port against risks associated with the 34<sup>th</sup> America's Cup, 2) investing in critical capital needs and 3) designating surplus operating revenues for capital investments identified in the 10-Year Capital Plan.

Prepared by:                      Meghan Wallace, Budget Manager  
Finance and Administration

For:                                  Elaine Forbes, Deputy Director  
Finance and Administration





**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-15**

- WHEREAS, In November 2009, the voters of San Francisco approved Proposition A which amended Section 9.100 of the San Francisco Charter to require the City to adopt a new rolling two-year budget cycle; and
- WHEREAS, On November 1, 2011 under File No. 11-1009, "Resolution adopting a fixed two-year budgetary cycle for the Airport, the Port, and the Public Utilities Commission, defining terms, and setting deadlines," the Board of Supervisors determined that the Port must adopt a fixed biennial budget; and
- WHEREAS, The Port Commission staff has developed a proposed Fiscal Years 2012-13 and 2013-14 Biennial Operating Budget; and
- WHEREAS, The proposed Biennial Operating Budget includes projected revenues of \$74,433,264 in Fiscal Year 2012-13 and \$76,659,494 in Fiscal Year 2013-14; and
- WHEREAS, The proposed Biennial Operating Budget includes projected expenses of \$71,897,784 in Fiscal Year 2012-13 and \$72,080,979 in Fiscal Year 2013-14; and
- WHEREAS, Pursuant to Port policy, the proposed Biennial Operating Budget includes an operating reserve of \$9,879,132 in Fiscal Year 2012-13 and \$10,137,035 in Fiscal Year 2013-14; and
- WHEREAS, Pursuant to Port policy, the proposed Biennial Operating Budget includes a designation of operating revenues to address projects in the 10-Year Capital Plan of \$2,930,680 in Fiscal Year 2012-13 and \$5,501,292 in Fiscal Year 2013-14; and
- WHEREAS, The proposed Biennial Operating Budget is described in greater detail in the staff's memorandum to the Port Commission, dated February 23, 2012, accompanying this Resolution and on file with the Secretary of the Commission; and



- WHEREAS, Staff recommends that the Port Commission approve the proposed Biennial Operating Budget; and
- WHEREAS, The proposed operating budget must also be approved by Mayor Edwin Lee and the Board of Supervisors; and, now therefore, be it
- RESOLVED, That the Port Commission hereby approves the Fiscal Years 2012-13 and 2013-14 Biennial Operating Budget as proposed by staff; and be it further
- RESOLVED, That the Port Commission hereby authorizes the Executive Director to make such changes to the operating budget that the Executive Director deems to be in the Port's best interest, and, be it further
- RESOLVED, That after the Biennial Operating Budget has been approved by Mayor Lee and the Board of Supervisors, staff is directed to return to the Port Commission to report on, and receive Port Commission approval for any material changes to the Biennial Operating Budget.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 28, 2012.***

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Secretary





**PORT OF SAN FRANCISCO  
REVENUE AND EXPENSE SUMMARY  
FISCAL YEARS 2012/13 & 2013/14**

	Budget 10/11	Actual 10/11	Budget 11/12	Approved 12/13	Proposed 12/13	Change from Base 12/13		Proposed 13/14	Change from 12/13 Proposed	
						Amount	Percent		Amount	Percent
<b><u>Sources</u></b>										
Estimated Fund Balance	\$19,194,235	\$19,194,235	\$18,558,550	\$18,000,000	\$21,475,982	\$3,475,982	19.3%	\$21,009,812	(\$466,170)	-2.2%
Revenue	66,637,300	73,596,605	68,943,254	69,493,752	74,533,264	5,039,512	7.3%	76,659,494	2,126,230	2.9%
Transbay Environmental Payment	0	0	550,000	550,000	550,000	\$0	0.0%	550,000	-	0.0%
Capital Project Defunding	0	0	3,114,870	0	0	0	0.0%	0	0	0.0%
<b>Total Sources</b>	<b>\$ 85,831,535</b>	<b>\$ 92,790,840</b>	<b>\$ 91,166,674</b>	<b>\$ 88,043,752</b>	<b>\$ 96,559,246</b>	<b>\$ 8,515,493</b>	<b>9.7%</b>	<b>\$ 98,219,306</b>	<b>\$ 1,660,060</b>	<b>1.7%</b>
<b><u>Uses</u></b>										
Operating Expense	\$ 61,319,998	\$ 56,970,277	\$ 62,710,261	\$ 65,224,596	\$ 65,860,879	\$ 636,283	1.0%	\$ 67,580,232	\$ 1,719,353	2.6%
Annual Projects	4,718,746	2,587,075	3,602,812	3,784,272	6,036,905	2,252,633	59.5%	4,500,747	(1,536,159)	-25.4%
Operating Budget, Subtotal	66,038,744	59,557,352	66,313,073	69,008,868	71,897,784	2,888,916	4.2%	72,080,979	183,195	0.3%
Unappropriated Operating Reserve*	8,954,335	8,954,335	9,433,484	10,078,431	9,879,132	(199,300)	-2.0%	10,137,035	257,903	2.6%
Capital Project Appropriations	10,838,456	10,838,456	15,420,117	8,956,453	11,851,650	2,895,197	32.3%	10,500,000	(1,351,650)	-11.4%
Designated to Future Capital	0	0	0	0	2,930,680	2,930,680	0.0%	5,501,292	2,570,612	87.7%
Capital Budget, Subtotal	10,838,456	10,838,456	15,420,117	8,956,453	14,782,330	5,825,877	65.0%	16,001,292	1,218,962	8.2%
<b>Total Uses</b>	<b>\$ 85,831,535</b>	<b>\$ 79,350,143</b>	<b>\$ 91,166,674</b>	<b>\$ 88,043,752</b>	<b>\$ 96,559,246</b>	<b>\$ 8,515,493</b>	<b>9.7%</b>	<b>\$ 98,219,306</b>	<b>\$ 1,660,060</b>	<b>1.7%</b>
* Unappropriated Operating Reserve as a Percent of Operating Expense	15%	16%	15%	15%	15%			15%		



**REVENUE BY INDUSTRY**  
**FISCAL YEARS 2012/2013 & 2013/14**

**MARITIME**

	Budget 10/11	Actual 10/11	Budget 11/12	Approved 12/13	Proposed 12/13	Change from Approved 12/13 Amount	Percent	Proposed 2013/14	Change from Proposed 12/13 Amount	Percent
<b>Cargo</b>										
Dockage	\$ 645,000	\$ 955,503	\$ 635,000	\$ 657,500	\$ 629,200	\$ (28,300)	-4.3%	\$ 472,010	\$ (157,190)	-25.0%
Wharfage	550,000	397,850	490,000	540,000	585,820	45,820	8.5%	609,190	23,370	4.0%
Crane Rental	15,000	4,525	10,000	11,000	10,000	(1,000)	-9.1%	10,000	-	0.0%
Rent	3,285,000	3,823,169	3,454,000	3,486,000	3,620,000	134,000	3.8%	3,704,000	84,000	2.3%
Miscellaneous	-	13,960	-	-	-	-	0.0%	-	-	0.0%
Subtotal	\$ 4,495,000	\$ 5,195,007	\$ 4,589,000	\$ 4,694,500	\$ 4,845,020	\$ 150,520	3.2%	\$ 4,795,200	\$ (49,820)	-1.0%
<b>Ship Repair</b>										
Dockage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Rent	\$ 974,000	\$ 974,180	\$ 975,000	\$ 980,000	\$ 1,000,000	\$ 20,000	2.0%	\$ 1,200,000	\$ 200,000	20.0%
Subtotal	\$ 974,000	\$ 974,180	\$ 975,000	\$ 980,000	\$ 1,000,000	\$ 20,000	2.0%	\$ 1,200,000	\$ 200,000	20.0%
<b>Harbor Services</b>										
Dockage	\$ 38,000	\$ 39,000	\$ 50,000	\$ 50,000	\$ 15,150	\$ (34,850)	-69.7%	\$ 15,300	\$ 150	1.0%
Non-Cargo Wharfage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Rent	\$ 1,290,000	\$ 1,256,127	\$ 2,020,000	\$ 2,070,000	\$ 1,929,600	\$ (140,400)	-6.8%	\$ 1,977,000	\$ 47,400	2.5%
Subtotal	\$ 1,328,000	\$ 1,295,127	\$ 2,070,000	\$ 2,120,000	\$ 1,944,750	\$ (175,250)	-8.3%	\$ 1,992,300	\$ 47,550	2.4%
<b>Cruise</b>										
Dockage	\$ 30,000	\$ 64,356	\$ 50,000	\$ 50,000	\$ 81,000	\$ 31,000	62.0%	\$ 90,000	\$ 9,000	11.1%
Passenger Wharfage	\$ 1,400,000	\$ 1,370,194	\$ 1,270,000	\$ 1,020,000	\$ 2,410,800	\$ 1,390,800	136.4%	\$ 2,892,000	\$ 481,200	20.0%
Non-Cargo Wharfage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Shoreside Power	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ -	\$ (500,000)	-100.0%	\$ -	\$ -	0.0%
Rent	\$ 180,000	\$ 183,611	\$ 191,000	\$ 181,000	\$ 180,000	\$ (1,000)	-0.6%	\$ 180,000	\$ -	0.0%
Subtotal	\$ 1,610,000	\$ 1,618,161	\$ 2,011,000	\$ 1,751,000	\$ 2,671,800	\$ 920,800	52.6%	\$ 3,162,000	\$ 490,200	18.3%
<b>Fishing</b>										
Dockage	\$ 272,000	\$ 278,182	\$ 272,000	\$ 278,000	\$ 280,000	\$ 2,000	0.7%	\$ 280,000	\$ -	0.0%
Fish Wharfage	\$ 45,000	\$ 54,640	\$ 45,000	\$ 45,000	\$ 50,000	\$ -	11.1%	\$ 50,000	\$ -	0.0%
Rent	\$ 1,615,000	\$ 1,811,646	\$ 1,694,667	\$ 1,716,310	\$ 1,738,900	\$ 22,590	1.3%	\$ 1,780,000	\$ 41,100	2.4%
Payment in lieu of Rent	\$ -	\$ -	\$ 55,333	\$ 55,690	\$ -	\$ (55,690)	-100.0%	\$ -	\$ -	0.0%
Subtotal	\$ 1,932,000	\$ 2,144,468	\$ 2,067,000	\$ 2,095,000	\$ 2,068,900	\$ (26,100)	-1.2%	\$ 2,110,000	\$ 41,100	2.0%



**REVENUE BY INDUSTRY**  
**FISCAL YEARS 2012/2013 & 2013/14**

	Budget 10/11	Actual 10/11	Budget 11/12	Approved 12/13	Proposed 12/13	Change from Approved 12/13 Amount	Percent	Proposed 2013/14	Change from Proposed 12/13 Amount	Percent
<b>Other Marine</b>										
Dockage	\$ 620,000	\$ 655,901	\$ 616,000	\$ 620,000	\$ 620,000	\$ -	0.0%	\$ 620,000	\$ -	0.0%
Non-Cargo Wharfage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Rent	\$ 920,000	\$ 910,382	\$ 677,000	\$ 681,000	\$ 816,800	\$ 135,800	19.9%	\$ 837,000	\$ 20,200	2.5%
Landing Fees	\$ 125,000	\$ 136,585	\$ 122,000	\$ 122,000	\$ 140,000	\$ 18,000	14.8%	\$ 150,000	\$ 10,000	7.1%
Subtotal	\$ 1,665,000	\$ 1,702,868	\$ 1,415,000	\$ 1,423,000	\$ 1,576,800	\$ 153,800	10.8%	\$ 1,607,000	\$ 30,200	1.9%
<b>Total Maritime</b>	<b>\$ 12,004,000</b>	<b>\$ 12,929,811</b>	<b>\$ 13,127,000</b>	<b>\$ 13,063,500</b>	<b>\$ 14,107,270</b>	<b>\$ 1,043,770</b>	<b>8.0%</b>	<b>\$ 14,866,500</b>	<b>\$ 759,230</b>	<b>5.4%</b>
<b>REAL ESTATE</b>										
<b>Commercial/Industrial</b>										
Rent	\$ 27,864,000	\$ 26,133,944	\$ 23,633,000	\$ 23,646,000	\$ 23,809,000	\$ 163,000	0.7%	\$ 25,788,000	\$ 1,979,000	8.3%
Rent from Percentage Leases	\$ 12,750,000	\$ 15,606,965	\$ 14,314,000	\$ 14,457,000	\$ 16,290,000	\$ 1,833,000	12.7%	\$ 16,512,000	\$ 222,000	1.4%
Payment in lieu of Rent	\$ -	\$ -	\$ 2,183,760	\$ 2,989,258	\$ 3,420,000	\$ 430,742	14.4%	\$ 2,182,000	\$ (1,238,000)	-36.2%
Subtotal	\$ 40,614,000	\$ 41,740,909	\$ 40,130,760	\$ 41,092,258	\$ 43,519,000	\$ 2,426,742	5.9%	\$ 44,482,000	\$ 963,000	2.2%
<b>Parking</b>										
Meters	\$ 1,800,000	\$ 3,137,639	\$ 2,958,000	\$ 2,988,000	\$ 3,722,000	\$ 734,000	24.6%	\$ 3,995,000	\$ 273,000	7.3%
Stalls	\$ 350,000	\$ 398,587	\$ 377,000	\$ 381,000	\$ 411,000	\$ 30,000	7.9%	\$ 421,000	\$ 10,000	2.4%
Rent	\$ 8,514,000	\$ 9,909,168	\$ 8,855,000	\$ 8,420,000	\$ 8,466,000	\$ 46,000	0.5%	\$ 8,672,000	\$ 206,000	2.4%
Fines	\$ 1,600,000	\$ 1,485,141	\$ 1,366,000	\$ 1,380,000	\$ 2,060,000	\$ 680,000	49.3%	\$ 2,112,000	\$ 52,000	2.5%
Subtotal	\$ 12,264,000	\$ 14,930,535	\$ 13,556,000	\$ 13,169,000	\$ 14,659,000	\$ 1,490,000	11.3%	\$ 15,200,000	\$ 541,000	3.7%
<b>Total Real Estate</b>	<b>\$ 52,878,000</b>	<b>\$ 56,671,444</b>	<b>\$ 53,686,760</b>	<b>\$ 54,261,258</b>	<b>\$ 58,178,000</b>	<b>\$ 3,916,742</b>	<b>7.2%</b>	<b>\$ 59,682,000</b>	<b>\$ 1,504,000</b>	<b>2.6%</b>
<b>ALL OTHER</b>										
Commercial Power	\$ -	\$ 19,273	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Filming	\$ -	\$ 5,352	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Special Events	\$ 100,000	\$ 195,140	\$ 134,000	\$ 135,000	\$ 188,000	\$ 53,000	39.3%	\$ 47,000	\$ (141,000)	-75.0%
Encroachment Permits	\$ -	\$ 92,192	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Miscellaneous Services (RE)	\$ 105,000	\$ 152,260	\$ 137,000	\$ 138,000	\$ 164,000	\$ 26,000	18.8%	\$ 168,000	\$ 4,000	2.4%
Facility Damage	\$ 6,000	\$ 2,200	\$ 6,000	\$ 6,000	\$ 6,000	\$ -	0.0%	\$ 6,000	\$ -	0.0%





**REVENUE BY INDUSTRY**  
**FISCAL YEARS 2012/2013 & 2013/14**

	Budget 10/11	Actual 10/11	Budget 11/12	Approved 12/13	Proposed 12/13	Change from Approved 12/13		Proposed 2013/14		Change from Proposed 12/13	
						Amount	Percent	Amount	Percent	Amount	Percent
Tenant Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	-	\$ -	0.0%
Miscellaneous Repairs (Maint)	\$ 30,000	\$ 5,553	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	0.0%	\$ 30,000	-	\$ -	0.0%
Permits	\$ 366,000	\$ 950,266	\$ 500,000	\$ 500,000	\$ 500,000	\$ -	0.0%	\$ 500,000	-	\$ -	0.0%
Miscellaneous	\$ -	\$ 19,695	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	-	\$ -	0.0%
Interest on Investments	\$ 795,000	\$ 734,888	\$ 650,000	\$ 812,500	\$ 812,500	\$ -	0.0%	\$ 812,500	-	\$ -	0.0%
Penalties & Svc. Charges	\$ 19,300	\$ 29,958	\$ 19,300	\$ 19,300	\$ 19,300	\$ -	0.0%	\$ 19,300	-	\$ -	0.0%
Miscellaneous Receipts	\$ 334,000	\$ 608,391	\$ 228,194	\$ 228,194	\$ 228,194	\$ -	0.0%	\$ 228,194	-	\$ -	0.0%
Miscellaneous-Planning	\$ -	\$ 181,242	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	-	\$ -	0.0%
Developer Fees	\$ -	\$ 346,416	\$ 425,000	\$ 300,000	\$ 300,000	\$ -	0.0%	\$ 300,000	-	\$ -	0.0%
Miscellaneous-Executive	\$ -	\$ 60,112	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	-	\$ -	0.0%
Other	\$ -	\$ 592,412	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	-	\$ -	0.0%
<b>Total All Other</b>	<b>\$ 1,755,300</b>	<b>\$ 3,995,350</b>	<b>\$ 2,129,494</b>	<b>\$ 2,168,994</b>	<b>\$ 2,247,994</b>	<b>\$ 79,000</b>	<b>3.6%</b>	<b>\$ 2,110,994</b>	<b>\$ (137,000)</b>	<b>\$ -61%</b>	
<b>TOTAL PORT</b>	<b>\$ 66,637,300</b>	<b>\$ 73,596,605</b>	<b>\$ 68,943,254</b>	<b>\$ 69,493,752</b>	<b>\$ 74,533,264</b>	<b>\$ 5,039,512</b>	<b>7.3%</b>	<b>\$ 76,659,494</b>	<b>\$ 2,126,230</b>	<b>2.9%</b>	



**DIVISION EXPENSE SUMMARY  
FISCAL YEARS 2010/11 to 2013/14**

	PRIOR YEARS			FY 2012-13			FY 2013-14		
	Budget	Actual	Budget	Approved	Proposed	Change from Approved 12/13	Proposed	Change from Proposed 12/13	
	<u>10/11</u>	<u>10/11</u>	<u>11/12</u>	<u>12/13</u>	<u>12/13</u>	<u>Amount</u> <u>Percent</u>	<u>13/14</u>	<u>Amount</u> <u>Percent</u>	
Real Estate	\$ 10,880,398	\$ 8,623,071	\$ 10,653,096	\$ 10,665,371	\$ 11,052,537	\$ 387,166 3.6%	\$ 11,318,966	\$ 266,429 2.4%	
Planning & Development	\$ 3,790,920	\$ 3,345,479	\$ 3,260,527	\$ 3,404,412	\$ 3,342,530	\$ (61,882) -1.8%	\$ 3,410,545	\$ 68,015 2.0%	
Maritime	\$ 3,315,781	\$ 3,345,287	\$ 3,941,466	\$ 3,858,341	\$ 3,924,675	\$ 66,334 1.7%	\$ 3,954,533	\$ 29,858 0.8%	
Finance and Administration	\$ 20,709,899	\$ 18,815,598	\$ 20,691,850	\$ 22,059,776	\$ 24,543,018	\$ 2,483,242 11.3%	\$ 23,288,860	\$ (1,254,158) -5.1%	
Maintenance	\$ 16,271,846	\$ 14,785,587	\$ 16,743,139	\$ 17,506,044	\$ 17,174,070	\$ (331,974) -1.9%	\$ 17,712,714	\$ 538,644 3.1%	
Executive	\$ 5,959,037	\$ 5,117,754	\$ 5,998,699	\$ 6,168,578	\$ 6,146,260	\$ (22,318) -0.4%	\$ 6,319,557	\$ 173,297 2.8%	
Engineering	\$ 5,110,863	\$ 4,865,454	\$ 5,024,296	\$ 5,346,346	\$ 5,004,964	\$ (341,382) -6.4%	\$ 5,147,356	\$ 142,392 2.8%	
Subtotal Division Budgets	\$ 66,038,744	\$ 59,557,352	\$ 66,313,073	\$ 69,008,868	\$ 71,188,054	\$ 2,179,186 3.2%	\$ 71,152,530	\$ (35,524) 0.0%	
Position Requests	\$ -	\$ -	\$ -	\$ -	\$ 709,730	\$ 709,730 0.0%	\$ 928,449	\$ 218,719 30.8%	
<b>Grand Total</b>	<b>\$ 66,038,744</b>	<b>\$ 59,557,352</b>	<b>\$ 66,313,073</b>	<b>\$ 69,008,868</b>	<b>\$ 71,897,784</b>	<b>\$ 2,888,916 4.2%</b>	<b>\$ 72,080,979</b>	<b>\$ 183,195 0.3%</b>	





**PORT EXPENDITURE SCHEDULE  
FISCAL YEARS 2012/13 & 2013/14**

<u>Char</u>	<u>Obj</u>	<u>Subobj</u>	<u>Budget</u> <u>10/11</u>	<u>Budget</u> <u>11/12</u>	<u>Approved</u> <u>12/13</u>	<u>Proposed</u> <u>12/13</u>	<u>Change from</u>		<u>Change from</u>	
							<u>Approved</u> <u>12/13</u>	<u>Percent</u>	<u>Proposed</u> <u>12/13</u>	<u>Percent</u>
							<u>Amount</u>		<u>Amount</u>	
<u>Salaries</u>										
001	001	00101	\$18,973,550	\$19,598,798	\$20,664,206	\$21,091,854	\$427,648	2.1%	\$21,309,510	1.0%
001	005	00501	495,102	588,593	515,560	515,560	0	0.0%	515,560	0.0%
001	009	00901	288,038	262,503	225,003	225,003	0	0.0%	225,003	0.0%
001	011	01101	321,682	252,942	252,942	252,942	0	0.0%	252,942	0.0%
		Subtotal	20,078,372	20,702,836	21,657,711	22,085,359	427,648	2.0%	22,303,015	1.0%
013	013	01300	8,749,791	9,806,259	10,880,197	10,451,839	(428,358)	-3.9%	11,548,062	10.5%
		Fringe Benefits								
		Subtotal Salaries & Fringe	28,828,163	30,509,095	32,537,908	32,537,198	(710)	0.0%	33,851,077	4.0%
020	020	02000	100,191	0	0	0	0	0.0%	0	0.0%
		Indirect Cost Reimbursement								
<u>Other Current Expenses</u>										
021	021	02100	62,634	77,180	77,490	63,050	(14,440)	-18.6%	65,055	3.2%
021	022	02200	98,880	85,850	85,850	65,000	(20,850)	-24.3%	65,000	0.0%
021	023	02300	5,088	6,688	6,688	3,000	(3,688)	-55.1%	3,000	0.0%
021	024	02400	62,725	74,819	74,819	73,721	(1,098)	-1.5%	75,837	2.9%
021	025	02500	216,175	237,159	280,659	252,159	(28,500)	-10.2%	233,609	-7.4%
021	027	02700	2,432,000	2,739,971	2,589,152	2,665,444	76,292	2.9%	2,615,539	-1.9%
021	028	02800	1,394,586	1,487,218	1,502,468	1,533,664	31,196	2.1%	1,588,825	3.6%
021	029	02900	301,485	360,048	351,053	278,273	(72,780)	-20.7%	287,995	3.5%
021	030	03000	3,277,000	2,845,000	2,867,000	2,896,309	29,309	1.0%	2,923,825	1.0%
021	031	03100	135,006	140,306	141,606	126,410	(15,196)	-10.7%	129,812	-2.7%
021	032	03200	780,000	776,600	796,300	774,550	(21,750)	-2.7%	847,770	9.5%
021	035	03500	1,141,212	1,219,735	1,128,927	1,315,386	186,459	16.5%	1,325,977	0.8%
021	052	05200	126,030	135,980	135,030	109,580	(25,450)	-18.8%	114,680	4.7%
021	053	05300	500,000	500,000	500,000	500,000	0	0.0%	500,000	0.0%
		Judgment, Claims & Litigation - Budget								
		Subtotal	10,532,821	10,686,554	10,537,042	10,656,546	119,504	1.1%	10,776,924	1.1%
040	040	04000	1,476,510	1,297,468	1,304,740	1,374,166	69,426	5.3%	1,428,598	4.0%
		Materials & Supplies - Budget								
060	060	06000	504,955	493,898	339,384	560,880	221,496	65.3%	544,756	-2.9%
		Equipment Purchase - Budget								



**PORT EXPENDITURE SCHEDULE  
FISCAL YEARS 2012/13 & 2013/14**

Char	Obj	Subobj	Budget 10/11	Budget 11/12	Approved 12/13	Proposed 12/13	Change from Approved 12/13		Budget 13/14	Change from Proposed 12/13	
					Amount	Percent	Amount	Percent	Amount	Amount	Percent
06F	06F	06F00 Facilities Maintenance - Budget	4,718,746	3,602,812	3,784,272	6,036,905	2,252,633	59.5%	4,500,747	(1,536,159)	-25.4%
070	070	0700 Debt Service - Budget	3,075,050	3,850,937	4,672,445	4,577,637	(94,808)	-2.0%	4,516,268	(61,369)	-1.3%
<u>Services of Other Departments</u>											
081	081	081AC Airport Commission	22,000	25,000	25,000	28,000	3,000	12.0%	29,400	1,400	5.0%
081	081	081BD Board of Supervisors	2,754	2,754	2,754	2,754	0	0.0%	2,754	0	0.0%
081	081	081BI Department of Building Inspection	25,000	25,000	25,000	20,000	(5,000)	-20.0%	20,000	0	0.0%
081	081	081EV Environment	18,529	18,529	18,529	18,529	0	0.0%	18,529	0	0.0%
081	081	081CA ADM - General	129,737	79,737	79,737	49,737	(30,000)	-37.6%	58,737	9,000	18.1%
081	081	081CB ADM - Insurance & Risk	2,127,000	2,145,204	2,145,204	2,145,204	0	0.0%	2,145,204	0	0.0%
081	081	081CI ISD - Service Infrastructure	362,419	400,810	400,810	458,030	57,220	14.3%	444,586	(13,444)	-2.9%
081	081	081CP City Planning	535,159	167,700	170,000	85,000	(85,000)	-50.0%	85,000	0	0.0%
081	081	081CT City Attorney - Legal Svcs.	2,759,022	2,859,022	2,859,022	2,859,022	0	0.0%	2,859,022	0	0.0%
081	081	081CW SFGTV	41,448	44,403	44,403	44,403	0	0.0%	44,403	0	0.0%
081	081	081C3 Controller - Financial Systems	0	0	0	0	0	0.0%	0	0	0.0%
081	081	081C4 Controller - Internal Audit	138,809	148,176	148,176	148,176	0	0.0%	148,176	0	0.0%
081	081	081C5 ISD - Maintenance & Operations	52,538	42,905	42,905	102,905	60,000	139.8%	102,905	0	0.0%
081	081	081ED Business & Economic Devel. - Mayor's	145,000	125,000	125,000	125,000	0	0.0%	125,000	0	0.0%
081	081	081ER DEM - Emergency Communications	17,895	0	0	0	0	0.0%	0	0	0.0%
081	081	081ET TIS - Telephone	230,032	247,584	247,584	266,675	19,091	7.7%	266,675	0	0.0%
081	081	081FD Fire	3,151,102	3,148,199	3,253,230	3,266,659	13,429	0.4%	3,332,093	65,434	2.0%
081	081	081HE SFGH - Medical Services	40,500	44,500	44,500	59,885	15,385	34.6%	62,669	2,784	4.6%
081	081	081HH DPH - Mental Health	55,000	0	0	0	0	0.0%	0	0	0.0%
081	081	081HR HR-HSS Tuition Reimbursement	8,283	9,177	9,177	9,177	0	0.0%	9,177	0	0.0%
081	081	081HY HR-MGMT Comp & Clasification	0	0	0	0	0	0.0%	0	0	0.0%
081	081	081HZ HR - HR Management System	41,599	84,997	84,997	84,997	0	0.0%	84,997	0	0.0%
081	081	081H0 HR-Equal Opportunity	6,377	6,377	6,377	6,377	0	0.0%	6,377	0	0.0%
081	081	081H2 HR - Management Training	6,188	11,188	11,188	11,188	0	0.0%	11,188	0	0.0%
081	081	081H3 HR - Workers Comp.	1,052,847	1,049,189	1,049,189	945,000	(104,189)	-9.9%	990,000	45,000	4.8%
081	081	081H4 HR Client SRVS/ Recruit/Assess	17,899	17,899	17,899	17,899	0	0.0%	17,899	0	0.0%
081	081	081H7 HR - Labor Negotiations	25,603	25,603	25,603	25,603	0	0.0%	25,603	0	0.0%
081	081	081H8 HR - Drug Testing	7,032	7,032	7,032	7,032	0	0.0%	7,032	0	0.0%



**PORT EXPENDITURE SCHEDULE  
FISCAL YEARS 2012/13 & 2013/14**

Char	Obj	Subobj	Budget 10/11	Budget 11/12	Approved 12/13	Proposed 12/13	Change from Approved 12/13 Amount	Percent	Budget 13/14	Change from Proposed 12/13 Amount	Percent
081	081	081H9	250,000	216,332	216,332	216,332	0	0.0%	216,332	0	0.0%
081	081	081MY	14,532	14,532	14,532	14,532	0	0.0%	14,532	0	0.0%
081	081	081M2	9,072	9,072	9,072	9,072	0	0.0%	9,072	0	0.0%
081	081	081PA	420,398	420,398	420,398	420,398	0	0.0%	420,398	0	0.0%
081	081	081PF	120,000	120,000	120,000	120,000	0	0.0%	120,000	0	0.0%
081	081	081PG	59,990	59,990	59,990	59,990	0	0.0%	59,990	0	0.0%
081	081	081PL	22,599	22,599	22,599	22,599	0	0.0%	22,599	0	0.0%
081	081	081PM	3,598	3,598	3,598	3,598	0	0.0%	3,598	0	0.0%
081	081	081PR	55,637	56,949	56,640	28,002	(28,638)	-50.6%	28,002	0	0.0%
081	081	081PS	578,349	476,332	487,748	509,000	21,252	4.4%	630,900	121,900	23.9%
081	081	081RE	255,365	136,200	137,200	141,200	4,000	2.9%	141,200	0	0.0%
081	081	081RP	202,000	2,000	2,000	2,000	0	0.0%	2,000	0	0.0%
081	081	081UL	1,844,526	1,720,175	1,517,927	1,267,101	(250,826)	-16.5%	1,309,185	42,084	3.3%
081	081	081UW	2,000	2,000	2,000	2,000	0	0.0%	2,000	0	0.0%
081	081	081SB	43,386	37,076	37,076	37,076	0	0.0%	37,076	0	0.0%
081	081	081PK	845,000	835,000	835,000	1,247,000	412,000	49.3%	1,274,000	27,000	2.2%
081	081	081WG	189,500	39,500	39,500	39,500	0	0.0%	39,500	0	0.0%
081	081	081WB	39,000	39,000	39,000	39,000	0	0.0%	39,000	0	0.0%
081	081	081WC	275,000	275,000	275,000	275,000	0	0.0%	275,000	0	0.0%
081	081	081WE	20,000	20,000	20,000	20,000	0	0.0%	20,000	0	0.0%
081	081	081WM	80,000	80,000	80,000	50,000	(30,000)	-37.5%	50,000	0	0.0%
081	081	081WR	40,000	40,000	40,000	40,000	0	0.0%	40,000	0	0.0%
081	081	081WU	14,000	14,000	14,000	14,000	0	0.0%	14,000	0	0.0%
081	081	081GE	0	0	0	0	0	0.0%	0	0	0.0%
		Subtotal	<u>16,403,724</u>	<u>15,375,738</u>	<u>15,292,928</u>	<u>15,364,652</u>	<u>71,724</u>	<u>0.5%</u>	<u>15,665,810</u>	<u>301,158</u>	<u>2.0%</u>
086	086	08699	(267,001)	(167,168)	(167,168)	(60,000)	107,168	-64.1%	(60,000)	0	0.0%
091	093	0931G	665,585	663,739	707,317	849,800	142,483	20.1%	856,800	7,000	0.8%
		Grand Total	<u>66,038,744</u>	<u>66,313,073</u>	<u>69,008,868</u>	<u>71,897,784</u>	<u>2,888,916</u>	<u>4.2%</u>	<u>72,080,979</u>	<u>183,195</u>	<u>0.3%</u>







## MEMORANDUM

February 23, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer *Moyer*  
Executive Director

**SUBJECT:** Request Approval of Proposed \$22.4 Million Capital Project Budget  
Funding for Fiscal Year (FY) 2012/13 and (FY) 2013/14

**DIRECTOR'S RECOMMENDATION:** Approved Attached Resolution

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On February 14, 2012 Port staff presented an informational report on the proposed Capital Budget for Fiscal Year (FY) 2012/13 and Fiscal Year (FY) 2013/14 to the Port Commission. This report is identical to the report issued on February 9, 2012, and presented at the last meeting.

Each year the Port Commission adopts a biennial Capital Project Budget in conjunction with the biennial Operating Budget. The Port changed to a biennial Capital and Operating Budget beginning with the FY 2010/11 and FY 2011/12 budgets in accordance with the City Charter. The Capital Project Budget identifies capital needs for which Port staff have requested funding, prioritizes capital projects, identifies funding, and describes the use of the funding. The objectives of the Capital Project Budget are to:

- Provide clear direction for the use of the Port's capital resources,
- Educate the public regarding the financial realities of Port capital requirements, and
- Address questions from public bodies such as the Mayor's Office and the Board of Supervisors regarding the maintenance, and repair of the Port's capital assets.

### Recommendation

Based on the Port's existing capital project needs and identified funding sources, Port staff submits to the Port Commission its proposed Capital Project Budget for FY 2012/13

This Print Covers Calendar Item No. 8B



and FY 2013/14 and recommends the Port Commission approve the proposed Capital Project Budget for submission to the City's Capital Planning Committee, Mayor Edwin Lee and the Board of Supervisors for their approval, as detailed in the proposed resolution attached to this memorandum.

Port staff will return to the Port Commission this summer to report on the adopted Capital Project Budget for FY 2012/13 and FY 2013/14 and detail for Port Commission approval any material changes made by staff, the City's Capital Planning Committee, the Mayor or the Board of Supervisors.

### **Proposed Capital Project Budget**

Attached is the Capital Project Budget that Port staff proposes for FY 2012/13 and FY 2013/14. The Capital Project Budget for these two fiscal years is being presented for the Port Commission's review and input. The proposed budget for capital projects for these two fiscal years, as detailed in Exhibit I, totals \$22,351,650, allocated as follows: \$11,851,650 for capital projects in FY 2012/13, and \$10,500,000 for capital projects in FY 2013/14. The final Capital Project Budget, incorporating any direction of the Port Commission, for FY 2012/13 and FY 2013/14 will be returned to the Port Commission for its approval.

Over the past several months the Capital Plan Working Group (Working Group), comprised of key Port staff from all Port divisions, reviewed and scored capital project funding requests submitted by the Port's divisions using the scoring criteria developed for the ten-year capital plan (see Exhibit III). The proposed two year capital budget reflects those capital projects which scored the highest, and for which there was either no or insufficient third party funding available. The proposed list of capital projects and recommended funding levels were submitted to the Port's Executive Director for final approval before submission to the Port Commission for its review and comment.

The Working Group used the following criteria to determine which projects to recommend to the Port Commission for funding: (i) addresses a safety, health, code, or regulatory issue or threat to the environment; (ii) significant reduction in potential liability to the Port; (iii) promotion of commerce, navigation or fisheries; (iv) attraction of people to the waterfront; v) promotion of natural and cultural resources; and vi) availability of substantial project funding from outside funding sources. Financial criteria related to the payback period and return on investment are also included in the scoring (see also Exhibit III).

### **Revision to Previously Approved Capital Project Funding for FY 2012/13**

At its February 22, 2011 meeting, the Port Commission approved a \$21.7 million Port capital project budget for FY 2011/12 and FY 2012/13 (resolution no. 11-09). The FY 2012/13 capital project budget was based on \$8,550,000 in estimated available funding for the year as projected by Port staff. After the Port Commission's approval, there were some changes to the capital budget which resulted in a net \$406,453 increase to the FY 2012/13 capital budget which was funded through reductions made by the Board of Supervisors to the Port's FY 2012/13 operating budget submission. The final FY 2012/13 capital budget approved by the Board of Supervisors was presented to the Port





Commission as an informational item at its July 12, 2011 meeting. The capital budget includes \$8,956,453 for 16 different capital projects, as detailed in Exhibits I and II.

As part of the recently completed review and prioritization of capital project funding requests, Port finance staff re-estimated the amount of funding available based on the Port's FY 2010/11 year end close, and the Executive Director and Working Group re-examined the capital projects and funding levels approved for FY 2012/13 in light of current Port operations and capital needs.

Since the FY 2012/13 capital budget was last approved by the Port Commission and the Board of Supervisors, the following significant changes have occurred in the Port's capital needs for the upcoming year:

- i) The need for more funding for the disposal of Drydock No. 1 as a result of a recent update to the project cost, which now totals \$6.6 million. As a result, the Port will need to add another \$1 million to the project in order to fully fund the disposal;
- ii) The need for more funding for the Port's Pier 27 Cruise Terminal project. Port staff believes that it is prudent to add an additional \$1,500,000 to the Phase 1 budget to cover extra expenses such as overtime costs that may be incurred by the contractor in order to meet the March 1, 2013 completion date required by the America's Cup Host and Venue Agreement, potentially cover certain construction bid alternate items such as the terminal curtain wall which are more cost effective to construct in Phase 1 of the project as compared to delaying their installation until Phase 2, or to serve as additional project contingency.
- iii) The need to add funds to the Port's waterfront support assets repair and replacement project for the purchase of a new piledriving rig and vibratory hammer for the Port's piledriving crew. The current equipment is obsolete and breaks down frequently causing work disruptions.
- iv) The need for an additional \$300,000 in funding above what was originally budgeted for the Port's utility project to repair the underpier utilities at Wharf J1.
- v) The need for an additional \$300,000 in funding above what was originally budgeted for the Port's ADA project to fund needed ADA upgrades to the Agricultural Building.
- vii) The need for an additional \$298,490 in funding above what was originally budgeted for the Port's leasing capital improvement project to support likely leasing of office space at Pier 50, Seawall Lot 345, office and retail space at Pier 33, and retail space at the former Jelly Restaurant site.

Notably, the above list represents only the most critical funding needs matched to available sources. Port staff submitted many other worthy capital projects totaling \$30.2 million, but funding only allowed for inclusion of the above listed projects. In light of the new funding needs, Port staff is proposing that FY 2012/13 funding levels be reduced for several capital projects, as compared to levels currently approved by the Port Commission and the Board of Supervisors (detailed in Exhibit I). In most cases the reduction represents a delay in



project funding. In the case of the Amador Street forced sewer main project, a substantial increase in project costs has resulted in a staff recommendation to put the project on hold until more funding can be secured. In all cases, staff worked closely with the Port's divisions to ensure that the proposed funding delays would not have an adverse impact on the Port's capital program.

### **Proposed Capital Project Budget Funding Sources**

For FY 2012/13, Port finance staff estimates that \$11,851,650 in funding will be available to fund capital projects. This funding consists of \$11,301,650 in currently available funding, plus \$550,000 from an environmental payment from Transbay Cable LLC scheduled to be paid in FY 2012/13 (beginning in FY 2010/11, the company is required to make annual environmental payments of \$550,000 for the next ten years through FY 2019/20).

For FY 2013/14, Port finance staff estimates that \$10,500,000 in funding will be available for capital projects. This funding consists of \$9,950,000 in estimated operating surplus funding plus \$550,000 from the annual Transbay Cable payment.

The sources of funding for Port capital projects for the next two years are shown below:

#### **Funding for Capital Projects**

<u>Sources</u>	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>Two Year Total</u>
Operating Funds From Prior			
FYE Close	\$11,301,650	\$9,950,000	\$21,251,650
Transbay Cable payments	<u>550,000</u>	<u>550,000</u>	<u>1,100,000</u>
Total Operating Funding	\$11,851,650	\$10,500,000	\$22,351,650

### **Proposed Capital Project Budget Expenditures**

The capital project budget expenditures that staff is proposing for FY 2012/13 and FY 2013/14, shown in Exhibits I and II hereto, includes Port funding for: (i) the Port's maintenance dredging program for the next two years; (ii) a capital project to maintain and repair the Port's roofs; and (ii) maintenance and upgrade of the Port's rail track located in the southern waterfront including funding of a local match requirement for a Federal grant for the Quint Street lead track and signal improvement project.

The proposed monies for the rail track maintenance project in FY 2012/13, and the roof repair project in FY 2013/14 represent a partial restoration of the funding taken from these projects in FY 2011/12.

The proposed two year capital budget also includes funding for an initial phase of a study to develop an infrastructure plan for Pier 70. Additional funding needed to complete the study would be provided in a future capital project budget.

Also included in the proposed capital project budget for FY 2011/12 and FY 2012/13 is additional Port funding for: (i) the Pier 27 cruise terminal project; (ii) the disposal of drydock no 1; (iii) the Port's emergency capital project fund; (iv) a capital project





established to make physical improvements to certain Port facilities to make them more accessible to the disabled including curb ramp and sidewalk improvements and ADA upgrades to the Port's Agricultural building; (v) capital projects established to repair the pier structures and utility infrastructure of Port facilities; (vi) a capital project to fund capital improvements needed as part of the leasing process; (vii) a capital project established to repair sewer pumps along the Port's waterfront; (viii) a capital project to repair, upgrade and replace elevators and escalator systems located in various Port facilities; (ix) a capital project established to repair and maintain the Port's vessels and other waterfront support assets; (x) a capital project established to fund open space and alternative energy projects that meet guidelines outlined in the Port's lease agreement with Transbay Cable; and (xi) a capital project established for greening and beautification projects at sites located in the southern waterfront in accordance with the Southern Waterfront Community Benefits and Beautification policy adopted by the Port Commission in November, 2007. The additional funding proposed for this last project will cover the Port's expected obligations generated by leasing activity projected over the next two years.

The additional funding proposed for the Port's pier structures repair project will be primarily used for repairs to the seawall at Pier 43, the marginal wharf at Pier 33, and the seawall and deck at Wharf J9, and a significant portion of the proposed funding for the utility project will be used for repairs to the underpier utilities at Wharf J1 and Pier 9. The additional funding proposed for the repair and maintenance of the Port's waterfront support assets will be used to purchase a new pile driver and vibratory pile driver extractor attachment for the Port's pile driving crew.

Based on the Port's existing capital project needs and identified funding sources, Port staff submits to the Port Commission its proposed Capital Project Budget for FY 2012/13 and FY 2013/14 and recommends its approval.

Prepared By: Lawrence Brown, Financial Analyst

For: Elaine Forbes, Deputy Director  
Finance and Administration

#### *Exhibits*

- I. Capital Project Proposed Funding for FY 2012/13 and FY 2013/14
- II. Description of Individual Projects Proposed for Funding
- III. Capital Plan Scoring Criteria





**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-16**

WHEREAS, The Port estimates that it will have \$11,851,650 in available funds for capital projects in Fiscal Year 2012/13 held in its Operating Fund consisting of: (1) \$11,301,650 derived from the 2010/11 fiscal year end fund balance, and (2) \$550,000 from an environmental payment from Transbay Cable LLC for Fiscal Year 2012/13; and

WHEREAS The Port estimates that it will have \$10,500,000 in available funds for capital projects in Fiscal Year 2013/14 held in its Operating Fund consisting of the following: (1) \$7,019,340 derived from an estimated 2011/12 Fiscal Year end fund balance; (2) \$550,000 from an environmental payment from Transbay Cable LLC and (3); \$2,930,660 in operating funds designated for capital projects; and

WHEREAS, Port staff recommends the allocation of \$11,851,650 in Port funding for Fiscal Year 2012/13 for the following capital projects:

1. Pier 27 Mixed Use Cruise Terminal Project
2. Pier 70 Infrastructure Study
3. Drydock #1 Emergency Response and Disposal
4. Southern Waterfront Open Space Enhancements/Alternative Energy
5. Piers 80, 92, 96 Rail Track Maintenance and Upgrade Project
6. Dredge Materials Testing – FY 2012/13 Program
7. Maintenance Dredging – FY 2012/13 Program
8. Port ADA Transition Plan FY 2012/13 Program
9. Pier Structures Repair Project, Phase II
10. Utilities Project
11. Waterfront Sewer Pump Project, Phase II
12. Leasing Capital Improvement Project
13. Port Elevators/Escalator Upgrade, Repair and Replacement
14. Port Waterfront Support Assets Repair and Replacement; and

WHEREAS, Port staff recommends the allocation of \$10,500,000 in Port funding for Fiscal Year 2013/14 for the following capital projects:

1. Pier 35 Substructure Repair Project
2. Pier 70 Infrastructure Study
3. Southern Waterfront Greening and Beautification Improvements
4. Southern Waterfront Open Space Enhancements/Alternative Energy
5. Piers 80, 92, 96 Rail Track Maintenance and Upgrade Project
6. Emergency Capital Project Fund
7. Dredge Materials Testing – FY 2013/14 Program



8. Maintenance Dredging – FY 2013/14 Program
9. Port ADA Transition Plan FY 2013/14 Program
10. Pier Structures Repair Project, Phase II
11. Utilities Project
12. Roof Repair Project
13. Leasing Capital Improvement Project; and

WHEREAS, Staff has designated each of the capital projects identified above a high priority; and

WHEREAS, Staff recommends the approval of the Capital Project Budget for Fiscal Years 2012/13 and 2013/14 in the amounts of \$11,851,650 for Fiscal Years 2012/13, and \$10,500,000 for Fiscal Year 2013/14, for the capital projects described above; now, therefore, be it

RESOLVED, That the Port Commission hereby authorizes the funding of \$11,851,650 from the Operating Fund for Fiscal Year 2012/13, and \$10,500,000 in funding from the Operating Fund for Fiscal Year 2013/14, to fund the capital projects identified above; and, be it further

RESOLVED, That the Port Commission hereby approves the Capital Project Budget for Fiscal Years 2012/13 and 2013/14 in the amounts of \$11,851,650 for Fiscal Year 2012/13, and \$10,500,000 for Fiscal Year 2013/14 as proposed by staff; and, be it further

RESOLVED, That staff is directed to submit the Capital Project Budget for Fiscal Years 2012/13 and 2013/14 in the amount of \$11,851,650 and \$10,500,000; respectively, to the City's Capital Planning Committee, Mayor Edwin Lee and the Board of Supervisors for their review and approval; and, be it further

RESOLVED, That staff's submittal of the Capital Project Budget to the City's Capital Planning Committee, Mayor Edwin Lee and the Board of Supervisors, the Executive Director may make such changes to the Capital Project Budget that the Executive Director deems to be in the Port's best interest; and, be it further

RESOLVED, That after the Capital Project Budget has been approved by the City's Capital Planning Committee, Mayor Edwin Lee and the Board of Supervisors, staff is directed to return to the Port Commission to report on any material changes to the Capital Project Budget.

***I hereby certify the foregoing resolution was adopted by the Port Commission at its meeting of February 28, 2012.***

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Secretary





**EXHIBIT I**

**Capital Projects  
Proposed Funding for FYs 2012/13 and 2013/14**

	FY 2012/13			
	Previously Approved Funding	Current Proposed Funding	FY 2013/14 Proposed Funding	Proposed Two Year Funding Total
<b>Projects Funded from Port Operating Fund Balance</b>				
<b>East Waterfront:</b>				
35 Substructure Repair Project	0	0	1,100,000	1,100,000
27 Mixed Use Cruise Terminal Proj. – Add'l Funding	1,631,453	1,500,000	0	1,500,000
<b>Building Area &amp; South Beach:</b>				
Terminal Float Repairs – Add'l Funding	300,000	0	0	0
<b>North Waterfront:</b>				
70 Infrastructure Study	100,000	100,000	200,000	300,000
Dock #1 Emergency Response and Disposal – Add'l Funding	0	1,000,000	0	1,000,000
Indoor Street Forced Sewer Main Project	200,000	0	0	0
North Waterfront Greening/Beautification Improvements	0	0	150,000	150,000
North Waterfront Open Space Enhancements/Alternative Energy	550,000	550,000	550,000	1,100,000
80,92,96 Rail Track Maintenance and Upgrade Project – Add'l Funding	100,000	400,000	100,000	500,000
94/96 High Mast Lighting Project	300,000	0	0	0
<b>Other Projects:</b>				
Emergency Capital Project Fund	100,000	0	60,000	60,000
Large Materials Testing FYs 2012/13 & 2013/14 Programs	700,000	700,000	750,000	1,450,000
Maintenance Dredging FYs 2012/13 & 2013/14 Programs	2,595,340	3,045,500	3,200,000	6,245,500
ADA Transition Plan – Add'l Funding	175,000	390,000	100,000	490,000
Structures Repair Project, Phase II – Add'l Funding	1,500,000	1,500,000	1,150,000	2,650,000
Lines Project – Add'l Funding	204,660	554,660	2,690,000	3,244,660
Repair Project	0	0	350,000	350,000
Waterfront Sewer Pump Project, Phase II – Add'l Funding	100,000	100,000	0	100,000
Engineering Capital Improvement Project - Add'l Funding	100,000	398,490	100,000	498,490
Elevator/Escalator Upgrade, Repair, and Replacement Project	300,000	300,000	0	300,000
Waterfront Support Assets Repair and Replacement	0	1,313,000	0	1,313,000
<b>Projects Funded From Operating Fund Balance - Total</b>	<b>\$8,956,453</b>	<b>\$11,851,650</b>	<b>\$10,500,000</b>	<b>\$22,351,650</b>
<b>Proposed Project Funding</b>		<b>\$11,851,650</b>	<b>\$10,500,000</b>	<b>\$22,351,650</b>



**CAPITAL PROJECT BUDGETS**  
**(Port Operating Fund Balance)**

<b>Project Name</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>Description</b>
Pier 35 Substructure Repair Project	\$0	\$1,100,000	<p>This project provides funding for needed repairs to the substructure of Pier 35. Included in the scope of this project is repairing pilings, beams, girders and slab panels. Completing these repairs is needed in order to keep the Pier 35 facility operational over the next 20 years.</p> <p>Funds from this project supplements remaining funds for this project provided by the 2010 Port Revenue bonds. Funding in the amount of \$1,100,000 from the 2010 Revenue Bonds is being reallocated from the Pier 35 substructure repair project to the Pier 27 cruise terminal project through a supplemental appropriation. Consistent with the project schedule, the capital budget funding requested for FY 2013/14 replaces the revenue bond funding removed from the project in the reapportionment process.</p>
Pier 27 Mixed Use Cruise Terminal Proj. - Add'l Funding	\$1,500,000	\$0	<p>This project provides funding for the development and construction of a new, \$92 million state of the art, multi-use cruise terminal and community facility located at Pier 27 on the Embarcadero Street across from Lombard Street. The Port's current primary cruise terminal facility at Pier 35, built in 1914, does not meet the needs of the cruise industry because of its short berths, narrow aprons, limited terminal capacity, minimal passenger pick-up and drop-off areas, and high operating costs.</p> <p>Work has recently begun on phase one of the project, which will include demolition of the existing shed on the site, and the construction of the core and shell of the new cruise terminal building. The approved budget for this phase is \$62.4 million. Under terms of the 34th America's Cup Host and Venue Agreement between the City and the America's Cup Event Authority, construction of the phase one improvements must be substantially complete by March 1, 2013. At that time the Event Authority will have exclusive use of the building for America's Cup events. Upon its return to the Port at the end of the Cup, the Port will complete phase two of the project which consists of completing the interior build-out and other improvements related to the Pier 27 cruise terminal project.</p> <p>A comprehensive review of the project budget by Port staff indicates that allocating an additional \$1,500,000 is prudent in Phase I to cover extra expenses such as overtime costs incurred by the contractor in order to meet the phase one March 1, 2013 construction completion date, for certain bid alternate items, such as the terminal curtain wall which are more cost effective to construct in Phase I of the project, or to serve as additional project contingency.</p>





**CAPITAL PROJECT BUDGETS (cont.)**  
**(Port Operating Fund Balance)**

<b>Project Name</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>Description</b>
Pier 70, Infrastructure Study (cont)	\$100,000	\$200,000	<p>Following an extensive public planning process, the Port published its Master Plan for the Pier 70 area in April 2010. The Master Plan balances ship repair activities, new waterfront parks, rehabilitated historic buildings, and new development opportunities over the 69-acre area. Several implementation efforts are underway including working with the ship repair operator, seeking developers for historic buildings, initial park improvements, and a 25 acre development project.</p> <p>This project provides funding for a comprehensive study and design of the infrastructure systems at Pier 70. The infrastructure systems (roadways, water, sewer, electrical and storm water) will all need to be built or rebuilt in order to support a reuse of the site. A study is needed to determine the existing infrastructure, design appropriate systems to support the planned reuse of the site, develop cost estimates, identify infrastructure financing mechanisms, and to develop a model to equitably allocate costs across future users.</p> <p>By developing the infrastructure design and cost estimates itself, rather than relying on potential developers to accomplish these tasks, the Port can expedite the project approvals and reduce uncertainty for these developers, thereby reducing the overall project costs, and improving the Port's expected financial return.</p>
Drydock No. 1 Emergency Response and Disposal	\$1,000,000	\$0	<p>Drydock No. 1, an old obsolete drydock, broke its mooring during a high wind storm on November 7, 2002 and went adrift, finally running aground on Yebra Buena Island. The vessel is currently moored at a berth at Pier 80.</p> <p>To date, \$2.7 million has been spent on i) the emergency response and salvage operations required to recover the drydock and transport it to safe harbor at the Port; ii) mooring charges for storage of the drydock at the BAE San Francisco Drydock facility; and iii) moving the drydock from the San Francisco Drydock facility to Pier 80, and iv) maintaining the drydock in place until it can be disposed.</p> <p>Recently updated cost estimates for the project indicate that additional funding is needed to permanently dispose of the drydock, which is now expected to cost approximately \$6.6 million. Also included in the project scope are RFQ/RFP and related costs, costs for consultants and engineers, construction and contract management, and the purchase of equipment needed to complete the disposal.</p> <p>While the vessel is secured at Pier 80, there remains the possibility that the drydock could break free from its mooring in the future. There is also a risk of the vessel sinking. Final disposition of the drydock would eliminate the Port's potential liability associated with this vessel.</p>





**CAPITAL PROJECT BUDGETS. (cont.)**  
**(Port Operating Fund Balance)**

<b>Project Name</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>Description</b>
Southern Waterfront Greening/Beautification Improvements	\$0	\$150,000	<p>This project provides funding for greening and beautification projects and related improvements for sites located in the Southern Waterfront.</p> <p>On November 17, 2007 the Port Commission adopted a policy that established a Southern Waterfront Community Benefits and Beautification Fund, and a funding mechanism consisting of a revenue set aside from the collection of rent generated by new leasing in the area.</p> <p>To date, \$530,000 in funding has been provided for this project. \$150,000 is now needed to cover the Port's expected obligation generated by projected leasing activity in FY's 2012/13 &amp; 2013/14. Projects to be funded by this project include: i) a bike and pedestrian improvement pilot project for Cargo Way, ii) public art for the silos at Pier 90; iii) interpretative signage within the Pier 70 project area; and iv) Port tenant and wayfinding signage for Pier 90 – 96. Funding is also provided for other greening and beautification projects for the southern waterfront as needed.</p> <p>The projects and improvements funded by this project will contribute to the quality of life for visitors and residents that live in communities that are adjacent to the Port's property in the Southeast part of San Francisco.</p>
Southern Waterfront Open Space Enhancements and Alternative Energy	\$550,000	\$550,000	<p>This project provides funding for the development of new open spaces and improvements to existing open spaces located within the area of the southern waterfront that is the focus of the Port's Blue-Greenway planning process. Project funds may also be utilized to support alternative energy projects that meet guidelines outlined in the Port's lease agreement with Transbay Cable.</p> <p>Funding provided by the project for FYs 2012/13 &amp; 2013/14 will be used to supplement funds provided by the 2008 Clean and Safe Neighborhoods Park G.O. bond for the design and construction of improvements at Crane Cove park.</p>



**CAPITAL PROJECT BUDGETS (cont.)**  
**(Port Operating Fund Balance)**

<b>Project Name</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>Description</b>
Piers 80, 92, 96 Rail Track Maintenance and Upgrade Project	\$400,000	\$100,000	<p>This project funds the repair and/or replacement of deteriorated railroad track at Piers 80, 92, and 94/96. Funding is also provided for consultant studies, as well as the engineering and construction of additional rail links to these facilities and other rail improvements.</p> <p>Recent studies performed by a railroad consultant indicate that improvements to the rail track system at Pier 80, and 94/96 are needed to improve the versatility and productivity of these facilities. In addition, failure to maintain the Port's rail trackage can ultimately lead to track failure and derailment of locomotive and flat cars.</p> <p>As part of its approval on February 22, 2011 of the FY 2011/12 capital budget, the Port Commission approved defunding \$400,000 from this project with the understanding that funding would be restored at a later date. Port staff recommends restoring these funds in FY 2012/13, and providing \$100,000 in funding for FY 2013/14.</p> <p>Of the total amount to be provided, \$300,000 will be used to meet a 10% local match funding requirement for a Federal grant for the Quint Street Lead track and signal improvement project. This project will improve an approximately one mile-long spur connecting a Caltrain mainline track to the San Francisco Rail Yard on Cargo Way at Pier 94/96. The mainline is under consideration for use as part of the California high-speed rail project, and the current condition of the spur track limits the frequency, weight and length of trains that can use the track, causing delays. The improvements will allow freight trains to operate at higher speeds and clear the mainline more quickly, significantly reducing delays to Caltrain commuter trains and future high-speed rail trains. The improvements will also allow the Port of San Francisco to increase the frequency of trains to the Port and expand its cargo business.</p>
Emergency Capital Project Fund	\$0	\$60,000	<p>This project provides funding for unforeseen capital projects which are of an urgent or emergency nature. Emergency projects are those that: (i) adversely affect health and safety if not done immediately; (ii) are required by law to be completed immediately; or (iii) will have a serious adverse impact on Port assets if not done immediately.</p> <p>Funding is also provided for disaster response and recovery. Port staff estimates that additional funding will be needed in FY 2013/14 to maintain the available appropriated funding in this project at \$500,000; the minimum level considered adequate for this purpose by Port management. Not having sufficient available appropriated funding to address disaster response and recovery, and emergency projects in a timely manner could have a serious negative impact on the Port and its operations.</p>





**CAPITAL PROJECT BUDGETS (cont.)**  
**(Port Operating Fund Balance)**

<b>Project Name</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>Description</b>
Dredge Materials Testing – FYs 2012/13 and 2013/14 Programs	\$700,000	\$750,000	This project will fund the testing of sediments to be dredged for chemical and biological contaminants. This project supports the Port's dredging activities scheduled for FYs 2012/13 and 2013/14.  Environmental regulations require chemical and biological testing of the sediments in any area to be dredged in order to determine the amount (if any) of contaminants in the soil. Results of the testing are used to determine the proper disposal site.
Maintenance Dredging – FYs 2012/13 and 2013/14 Programs	\$3,045,500	\$3,200,000	This project will fund the Port's dredging activities scheduled for FYs 2012/13 and 2013/14. It will fund dredging at Piers 27, 35, 80, and 92, the Islais Creek Channel, and other berths as needed.  Maintenance dredging is necessary for the continued operation of Port maritime facilities. Dredging keeps berths and channels at navigable depths, including sites where the Port has contractual obligations with shipping lines and operators.
Port ADA Transition Plan – Add'l Funding	\$390,000	\$100,000	This project provides funding for physical improvements to the Port's public facilities to make them accessible to the disabled. To date, \$1,986,416 has been appropriated for this project; almost all of which has been committed for specific ADA projects.  Additional funds are now needed for curb ramps and sidewalk improvements throughout the Port and for various ADA upgrades to the Port's Agricultural Building. Funding is also available for other accessibility repairs and improvements as needed.  This project helps the Port meet its goal of making its facilities more accessible to Port tenants and the public.
Pier Structures Repair Project, Phase II - Add'l Funding	\$1,500,000	\$1,150,000	This project funds engineering, permitting, inspection and repair of, or improvements to, the Port's deteriorated pier structures including substructures, superstructures, and marginal wharfs. Funds are also provided for labor and equipment as needed. To date, \$8,687,000 has been appropriated for this project; almost all of which has been committed for pier repair projects.  Additional funds are now needed for repairs to a 40 foot section of the Pier 43 seawall, repairs to the marginal wharf at Pier 33, and repairs to the seawall and deck at Wharf J9. Funding provided by this project will also cover pier-related repairs at other facilities as required.



**CAPITAL PROJECT BUDGETS (cont.)**  
**(Port Operating Fund Balance)**

<u>Project Name</u>	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>Description</u>
Pier Structures Repair Project, Phase II - Add'l Funding (cont)	\$1,500,000	\$1,150,000	<p>\$2,000,000 in funding was previously provided for the Wharf J-9 project, but this level of funding was only sufficient to cover the most critical repairs. The additional funding incorporated in the proposed capital budgets for FYs 2012/13 &amp; 2013/14 will allow the Port to complete all of the repairs needed to Wharf J9 seawall and deck.</p> <p>Repairing the Port's pier structures is necessary to ensure: (i) the continued safe operation of the Port's pier superstructures and buildings, (ii) the preservation of lease revenues, and (iii) the extension of the economic life of the Port's pier and marginal wharf assets.</p>
Utilities Project – Add'l Funding	\$554,660	\$2,690,000	<p>This project provides funding for necessary utility repair and capacity related improvements to the utility infrastructure servicing various Port facilities. Utilities include electric power, lighting, telephone, gas, HVAC, electronic security, water, sewer and drainage service. This project also funds fire system certification, and needed repairs and improvements to fire and alarm systems at various facilities. Also included is funding for labor and equipment as needed to facilitate the repairs. Since FY 2003/04, \$3,637,000 has been appropriated for this project; almost all of which has been committed for specific utility projects.</p> <p>Additional funds are now needed for: i) improvements to the electrical service and distribution system at Pier 50, ii) repairs to the electrical distribution system at Hyde Street Harbor, and iii) repairs to the underpier utilities at several Port facilities. Funding provided will also be available for utility-related repairs at other facilities as needed.</p> <p>As the result of a significant water leak at Pier 15 that occurred in 2009, the Port is under an order from the Regional Water Quality control Board to repair and/or replace failing water and sewer utilities under its piers. To begin the process, Port staff is requesting \$2,740,000 of the \$3,244,660 in funding requested for the next two fiscal years be allocated to addressing its underpier utility needs, including repairs to the underpier utilities at Wharf J1, and the replacement of the water and sewer lines at Pier 9.</p>
Roof Repair Project.	\$0	\$350,000	<p>This project provides funding for the (partial and full) replacement of, and repairs to, the roofs and related roofing systems of the Port's buildings and sheds in order to stop water infiltration. Funding provided by this project will be allocated for repairs to roofing systems at other facilities as needed, as well as for labor and the cost of equipment as needed to facilitate the repairs</p>





**CAPITAL PROJECT BUDGETS (cont.)**  
**(Port Operating Fund Balance)**

<u>Project Name</u>	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>Description</u>
Roof Repair Project. (cont)	\$0	\$350,000	<p>On-going leaks contribute to dry rot of wooden structural components and potential liability claims. Dry rot, in turn, leads to the deterioration of the structural integrity of the affected Port facilities, which over time will require major structural repairs at a much higher cost.</p> <p>As part of its approval on February 22, 2011 of the FY 2011/12 capital budget, the Port Commission approved defunding \$752,714 from this project with the understanding that funding would be restored at a later date. Port staff recommends restoring \$350,000 of these funds in FY 2013/14. Restoring this funding will help ensure that there are sufficient funding in the project to address future roof repair needs</p>
Waterfront Sewer Pump Project, Phase II – Add'l Funding	\$0	\$100,000	<p>This project provides funding for the purchase of electric motors, pump, and controls, and related parts &amp; supplies need to: i) repair sewer pumps currently in use along the Port's waterfront; and ii) build a set of backup sewer pumps.</p> <p>Many of the Port's sewer pumps are over 40 years old and beginning to fail. The Port's maintenance staff is constantly moving operating pumps between pump stations in order to maintain sewer service for our tenants and for restrooms located in public access areas. This project will help to make the Port's sewer system more dependable.</p> <p>\$100,000 was appropriated in FY 2009/10 for this project. An additional \$100,000 in funding is now needed to continue the repair of the Port's pump stations and sewer pumps.</p>
Leasing Capital Improvement Project – Add'l Funding	\$398,490	\$100,000	<p>As part of lease negotiations with Port tenants, or potential tenants, it is sometimes necessary for the Port to make certain improvements to a facility in order to conclude lease negotiations. This project provides funding for capital improvements needed as part of the leasing process. Improvements financed may include, but are not limited to, electrical and plumbing upgrades, roof repairs, HVAC, structural improvements, ADA upgrades, paving, and fencing.</p> <p>To date, \$1,650,000 in project funds have been provided for urgent repairs to Pier 19/23 and site improvements to parcels located in the backlands area of the southern waterfront. \$498,490 in additional funding is now needed to fund capital improvements that may be needed over the next two years at various facilities as part of the leasing process. Leasing activity that may likely benefit from capital improvement funded by the project include the leasing of office space at Pier 50, SWL 345, potential office and retail space at Pier 33 North, and the retail space once occupied by the former Jelly's Restaurant.</p>





**CAPITAL PROJECT BUDGETS (cont.)**  
**(Port Operating Fund Balance)**

<b>Project Name</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>Description</b>
Port Elevator/Escalator Upgrade, Repair and Replacement Project	\$300,000	\$0	<p>This project provides funding for the repair, upgrade and replacement of the elevator and escalator systems located in various Port facilities. Included in the project scope are replacements of the control systems, as needed. Funds are also provided for labor and equipment as needed. The \$300,000 request for FY 2012/13 completes the funding of this project.</p> <p>Most of the Port's elevator and escalator systems are old and in need of significant repair, upgrade, or, in some cases, replacement. The project will help ensure that the Port's elevators and escalators operate efficiently and safely. It will also bring the Port's elevator and escalators into ADA compliance, and will help ensure that the systems maintain their certification to operate.</p>
Port Waterfront Support Assets Repair and Replacement II – Add'l Funding	\$0	\$1,313,000	<p>This project provides funding for maintenance, overhaul or replacement of the Port's vessels and other waterfront support equipment, including fenders and fender camel logs. In some cases, the assets are in danger of sinking due to "thin hull" conditions. This project is designed to extend the service life of the Port's waterfront support assets. Without major maintenance, many of these assets will have to be removed from service and replaced with new equipment at a significantly higher cost to the Port.</p> <p>In FY 2005/06 funding of \$655,000 was provided for the dry-docking and overhaul of the Port's pile barge and piledriver No. 4. Additional funds are now needed to purchase a new hydraulic crawler-type pile driving rig and a vibratory pile driver extractor attachment. This equipment will replace the Port's other pile driving rig and vibratory attachment, both of which are old military surplus and now obsolete. Their age causes them to break down frequently, and their obsolescence makes acquiring parts extremely difficult. A new piledriver would greatly enhance the efficiency of the Port's piledriving crew, and a new vibratory hammer would allow the pile crew to drive concrete and the newer plastic pile. With the current equipment the crew is limited to driving wood treated pile.</p>

**Total Proposed Project Funding**      **\$11,851,650    \$10,500,000**



### Exhibit III

#### **Scoring Criteria for Port Capital Project Funding Requests**

The first set of "evaluation" criteria used by the Capital Plan Working Group to score capital project funding requests submitted by the Port's divisions address public safety and the Port's mission, as set out in the Burton Act and Transfer Agreement of 1969. The funding requests were scored in increments of five points, up to the maximum specific to each criterion, as follows:

<u>Review Criterion</u>	<u>Maximum Score</u>
Does the project address a code or regulatory issue?	20
Does the project significantly reduce potential liability to the Port?	15
Does the project promote commerce, navigation or fisheries?	10
Does the project attract people to the waterfront?	10
Does the project protect natural or cultural resources?	15

The second set of evaluation criteria used evaluates the payback period and the return on investment of those capital projects that would bring in additional revenue and/or reduce Port operating costs. The first criterion is intended to capture the efficiency of the investment, the second criterion, the scale of the financial impact. These criteria were scored for each project in increments of five points as follows:

<u>Review Criterion</u>	<u>Maximum Score</u>
What is the payback period, if 10 years or less	10
What is the total 10-year financial benefit to the Port?	20

Finally, all projects were reviewed to determine if they fell into one or more of the four major categories listed below. The Capital Plan Working Group determined that a project belonging to one of these groups was worthy of separate consideration either before or after other projects, depending on the category.

#### Prioritization Category

Is the project required to address an emergency, defined as an immediate threat to human health or the environment?

Is the project legally mandated by a regulatory order or legal judgment?

Is the project substantially matched by outside funding sources?

#### De-prioritization Category

Is the project non-revenue generating and does it have less than 25% in outside matching funds?







## MEMORANDUM

February 23, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer *Moyer*  
Executive Director

**SUBJECT:** The Port's 10-Year Capital Plan, FY 2013-22

**DIRECTOR'S RECOMMENDATION:** Informational Item – No Action Required

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### Background

The Port first prepared a 10-Year Capital Plan in 2006 which it has updated and augmented in each year since. In 2005, the Board of Supervisors, in Administrative Code section 3.20 mandated the creation of a citywide 10-year capital plan and the Port's own 10-Year Capital Plan became a part of the City's Plan. Each year, following approval by the Port Commission, the 10-Year Capital Plan is submitted to the City's Capital Planning Committee for inclusion in the City plan. The Capital Planning Committee reviews and recommends the City plan to the City Administrator who in turn submits the plan to the Mayor and the Board of Supervisors.

Last year, in 2011, the City's Capital Planning Committee instituted an amendment to Section 3.20 of the Administrative Code shifting the requirement that the City Administrator submit a 10-Year Capital Plan to the Mayor and Board of Supervisors each year to a requirement that this be done every two years in keeping with the City's biennial budget practices. However, Port staff determined that an annual update was appropriate this year given (1) the new impacts of proposed agreements with the America's Cup Event Authority and (2) the Port's plan to issue additional revenue bonds later this calendar year.

Unlike prior updates to the Port's 10-Year Capital Plan, this Plan comes before the Port Commission for approval at the Departmental level only, and will not be brought before the Board of Supervisors or Mayor Edwin Lee.

**THIS PRINT COVERS CALENDAR ITEM NO. 9A**



## Overview of Changes to the 2013-22 10-Year Capital Plan

While much activity has taken place over the last year, the visible and impactful change for the Port over 2011 has been the progression of the development of the 34th America's Cup project. The current form of the Development and Disposition Agreement ("AC 34 DDA") calls for the Port to complete three already planned capital improvements to Port property, consisting of the Pier 27 James R. Herman Cruise Terminal, the Brannan Street Wharf, and demolition of Pier 36. The AC34 DDA requires the America's Cup Event Authority to rehabilitate Piers 30-32 and make other pre-Match improvements to Port property, and permits the Event Authority to develop Piers 26, 28, and 30-32 (and potentially a fourth pier under certain conditions and if so approved by the Port Commission and Board of Supervisors) after 2014. Along with the planned development of Seawall Lot 337, development of Piers 26, 28 and 30-32 will realize most of the goals for the Port's Waterfront Land Use Plan ("WLUP") for the South Beach/China Basin subarea of the waterfront. Additionally, short-term use of certain Port facilities including Piers 19, 19½, 23, 29 and 29½ provides an opportunity for strategic capital investment in 2012 or 2014, when vacancy may provide a unique window for rehabilitation of one or more of these piers.

In the historic context of development along the waterfront in support of the Port's mission, no capital improvement stands out more than construction of the new cruise terminal at Pier 27. On the eve of the Port's 150th anniversary, this long-envisioned, new bedrock to Port operations identifies San Francisco as a city hospitable to the cruise industry and as a custodian of the public trust, facilitating visitors to our great city.

The FY 2013-22 update of the Port's 10-Year Capital Plan identifies a total need of approximately \$2.2 billion, primarily for deferred maintenance and seismic upgrade work required on Port facilities. This is approximately \$38 million greater than the \$2.17 billion identified in the Port's FY 2012-21 update. This increase is largely made up of 1) the 3.5% annual cost escalation used by the City and County of San Francisco (CCSF), which has been incorporated into this Plan, and 2) the inclusion of a new year (FY 2022) in this Plan, where most of the FY 2012 unfunded costs became a part of the Port's backlog, costs for which are largely offset by 3) substantial downward adjustments resulting from revised estimates related to detailed investigation of America's Cup facilities, which total nearly \$65 million.

A summary of the changes over the last year is as follows:

### Changes in Dollars (in millions)

FY 2012-2021 Total	\$2,172.6
3.5% Cost Escalation	76.0
Roll in of Estimated FY 2022 Renewal Costs	31.9
Adjustments (completed work, rev. estimates, technical adjustments)	(70.0)
Total:	\$2,210.5

The Plan proposes \$956.1 million in funding, approximately \$693 million of which is allocated to renewal and repair (accompanied by seismic upgrades, where triggered by other work), reducing the Port's overall need from \$2.2 billion to \$1.5 billion over 10 years. The Plan programs the remaining \$263 million to capital enhancement projects.





Sources for this financing include:

- \$78 million from Port tenant obligations;
- \$96.3 million from the Port's annual operating budget;
- \$50 million from revenue bond proceeds;
- \$362.3 million from development projects;
- \$231.5 million from Infrastructure Financing District (IFD) bond proceeds;
- \$18.6 million from General Obligation bond proceeds and proceeds of other City debt instruments;
- \$33.7 million from multiple federal agencies including United States Army Corps of Engineers and Department of Defense;
- \$85.7 million from a mixed financing package funding the Pier 27 Cruise Terminal Project; and
- additional sources that may become available through transferable development rights.

## **Conclusion**

The waterfront has seen a series of transformative events since the Loma Prieta earthquake in 1989: the removal of the Embarcadero Freeway, the Embarcadero Roadway project, the opening of AT&T Ballpark and the world-class Ferry Building rehabilitation project, among others. Port staff is confident that the 34<sup>th</sup> America's Cup will stand with these other achievements as a major inflection point in the transformation of the San Francisco waterfront, and that the 10-Year Capital Plan will continue to stand as a steady guide through this part of the Port's continuing evolution.

Continued success will require new resources and a level of coordination with other City staff not undertaken since the Embarcadero Roadway project. Mayor Lee has repeatedly demonstrated his commitment to the effort and Port staff is excited to be a member of the team that will deliver the 34<sup>th</sup> America's Cup in 2013.

## **Next Steps**

Given that there is not a broader City schedule for approval of this 10-Year Capital Plan, the Port Commission has an opportunity to review the plan at a leisurely pace and, if so desired, to request additional information. Port staff can return to the Port Commission as early as its March 27, 2012 meeting (or a subsequent meeting suitable to the Port Commission) for further discussion or adoption.

Prepared by:

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For:

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# **Port of San Francisco**



## **10-Year Capital Plan**

### **FY 2013-2022 Update**



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## **I. Executive Summary**

All of the piers currently in use by the Port or Port tenants were originally constructed around 100 years ago. Of those, only nine have been rehabilitated since 1950, including AT&T Ballpark, the Ferry Building, Pier 1, Piers 1½, 3 & 5, Pier 27, Pier 39, Pier 45, Pier 48, and Pier 80, with a tenth rehabilitation currently underway at Piers 15-17. At least one additional pier, Pier 30-32, will be rehabilitated over the next few years as a result of the 34<sup>th</sup> America's Cup coming to San Francisco. Most of the buildings atop the Port's piers are 40 to 100 years old, making many of them historically significant structures. In recognition of this significance, the National Park Service designated the northeast waterfront, from Pier 45 in the north to Pier 48, as the Embarcadero Historic District on the National Register of Historic Places. This district includes 20 historic piers as well as eight other structures of historic significance. The Pier 70 area also includes 35 buildings and many other features recognized to be of historical significance. The Port is working with the State Office of Historic Preservation to list Pier 70 on the National Register of Historic Places, anticipating this action in 2012.

While much activity has taken place over the last year, the visible and impactful change for the Port over 2011 has been the progression of the development of the 34<sup>th</sup> America's Cup project. The current form of the Development and Disposition Agreement ("AC 34 DDA") calls for the Port to complete three already planned capital improvements to Port property, consisting of the Pier 27 James R. Herman Cruise Terminal, the Brannan Street Wharf, and demolition of Pier 36. The AC34 DDA requires the America's Cup Event Authority to rehabilitate Piers 30-32 and make other pre-Match improvements to Port property, and permits the Event Authority to develop Piers 26, 28, and 30-32 (and another pier if one is chosen and approved at a later date) after 2014. Along with the planned development of Seawall Lot 337, development of Piers 26, 28 and 30-32 will realize most of the goals for the Port's Waterfront Land Use Plan ("WLUP") for the South Beach/China Basin<sup>1</sup> subarea of the waterfront. Additionally, short-term use of certain Port facilities including Piers 19, 19½, 23, 29 and 29½ provides an opportunity for strategic capital investment in 2012 or 2014, when vacancy may provide a unique window for rehabilitation of one or more of these piers (see 34<sup>th</sup> America's Cup, Section V).

In the historic context of development along the waterfront in support of the Port's mission, no capital improvement stands out more than construction of the new cruise terminal at Pier 27. On the eve of the Port's 150<sup>th</sup> anniversary, this long-envisioned, new bedrock to Port operations identifies San Francisco as a city hospitable to the cruise industry and as a custodian of the public trust, facilitating visitors to our great city.

Other elements of this plan that distinguish it from prior plans include planning for Port-financed, targeted repurposing of facilities following the conclusion of the 34<sup>th</sup> America's Cup, exploration of transferable development rights as a new finance tool, and major cost

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<sup>1</sup> The South Beach/China Basin subarea of the WLUP extends from Pier 22 ½ just south of Rincon Park to Mariposa Street in Mission Bay.



adjustments driven by revised estimates for facilities included in the AC34 DDA. This plan also reflects escalation of study of the San Francisco seawall as a priority for the City and the Port, and progression of the Port's strategic goal of creating a robust export terminal at Pier 96, which would bring significant new capital investment in Pier 96 and produce substantial new maritime revenues.

The FY 2013-22 update of the Port's 10-Year Capital Plan identifies a total need of approximately \$2.2 billion, primarily for deferred maintenance and seismic upgrade work required on Port facilities. This is approximately \$38 million greater than the \$2.17 billion identified in the Port's FY 2012-21 update. This increase is largely made up of 1) the 3.5% annual cost escalation used by the City and County of San Francisco (CCSF), which has been incorporated into this Plan, and 2) the inclusion of a new year (FY 2022) in this Plan, where most of the FY 2012 unfunded costs became a part of the Port's backlog, costs which are largely offset by 3) substantial downward adjustments resulting from revised estimates related to detailed investigation of America's Cup facilities, which total nearly \$65 million. The remaining difference is a result of the removal of completed projects and many small adjustments to cost estimates over the past year, many of which are offsetting. Apart from those costs noted above, other substantial adjustments include a revision upward of ongoing dredging costs by approximately \$16 million over 10 years, a very significant adjustment, given that this item is funded from the Port's very limited capital fund. Detailed discussion of the Port's 10-year capital need follows in Section IV of this plan.

A summary of the changes over the last year is as follows:

Changes in Dollars (in millions)

FY 2012-2021 Total	\$2,172.6
3.5% Cost Escalation	76.0
Roll in of Estimated FY 2022 Renewal Costs	31.9
Adjustments (completed work, revised estimates, technical adjustments)	<u>(70.0)</u>
Total:	\$2,210.5





Broken down by Port region, capital need increased across the Port as follows:

**Table 1: Change in Capital Need, by Region (in millions)**

<b>Port Region</b>	<b>FY12-21 Total</b>	<b>FY13-22 Total</b>	<b>Difference</b>	<b>Increase</b>
<b>Fisherman's Wharf</b>	<b>\$115.9</b>	<b>\$118.4</b>	<b>\$2.5</b>	<b>2.1%</b>
Northeast Waterfront	406.3	379.1	(27.2)	(7.2)%
<b>Ferry Building Area</b>	<b>96.0</b>	<b>99.6</b>	<b>3.6</b>	<b>3.6%</b>
South Beach	329.5	314.1	(15.3)	(4.7)%
<b>China Basin</b>	<b>143.0</b>	<b>144.3</b>	<b>1.3</b>	<b>0.9%</b>
Southern Waterfront	664.8	687.6	22.9	3.3%
<b>Portwide</b>	<b>417.2</b>	<b>467.4</b>	<b>50.2</b>	<b>10.7%</b>
	\$2,172.7	\$2,210.5	\$37.8	1.7%

Of the \$2.2 billion in total need, the Plan of Finance included in this Plan identifies \$956.1 million in funding over the next ten years. Sources for this financing include:

- \$78 million from Port tenant obligations;
- \$96.3 million from the Port's annual operating budget;
- \$50 million from revenue bond proceeds;
- \$362.3 million from development projects;
- \$231.5 million from Infrastructure Financing District<sup>2</sup> (IFD) bond proceeds;
- \$18.6 million from General Obligation bond proceeds and proceeds of other City debt instruments;
- \$33.7 million from multiple federal agencies including United States Army Corps of Engineers and Department of Defense;
- \$85.7 million from a mixed financing package funding the Pier 27 Cruise Terminal; and
- additional sources that may become available through transferable development rights.

The largest element of the Port's Plan is the rehabilitation and redevelopment of the heavily blighted Pier 70 area, with an estimated need of approximately \$670 million for that area. These costs include upgrading salvageable buildings, demolition of unsalvageable ones, environmental remediation, improvements to street and utility infrastructure, and construction of open space park areas near the water's edge. More detailed information regarding the Pier 70 area may be found on the Port's website at [www.sfport.com/pier70](http://www.sfport.com/pier70).

<sup>2</sup> IFDs function in a manner similar to redevelopment, by allowing local jurisdictions to establish a geographical district within which all growth in property and possessory interest tax above an established base year (typically referred to as "tax increment") can be pledged to service debt on bonds issued to fund capital improvements of communitywide significance. Note that although this mechanism uses property tax increment, it does not rely on a redevelopment agency structure and is not impacted by the recent elimination of redevelopment agencies in California.





One of the largest aspects of the Port's plan of finance, private development partners, remains sensitive to the state of the real estate market. The FY 2013-22 Capital Plan reflects the continued uncertainty of the current market. Specifically, while Port staff assumes that revenues and tax increment arising from development of SWL 337 will likely be realized before 2022, the Plan no longer assigns the projected tax increment and revenue debt proceeds arising from this development to specific uses because it is uncertain whether these proceeds will occur within the next five years.

That said, Port staff is excitedly focused on delivery of projects with the Port's newest development partner, the America's Cup Event Authority. As the Port endeavors to deliver facilities for the 34<sup>th</sup> America's Cup, in particular, the new cruise terminal at Pier 27, the Under Pier Utility Infrastructure Program, as well as projects funded by revenue bond and general obligation bond proceeds over the next five years of the Plan, the Port must simultaneously plan to pivot quickly to repurpose short-term venues that are used for the 34<sup>th</sup> America's Cup, including Piers 19, 19 ½ and 23. Where the vacation of pier facilities for the 34<sup>th</sup> America's Cup creates a temporary loss of rent revenues to the Port—a loss subsidized by the general fund under an agreement approved by the Board of Supervisors—the Port must be prepared for the expiration of that subsidy soon after the Match is over. This challenge also represents an opportunity for the Port to explore new methods of increasing returns to the Harbor Fund from new uses and/or development of the piers.

On April 14, 2011, Standard & Poor (S&P) published its review of the Port's credit rating, affirming an "A- long term rating." According to S&P, "...debt service coverage was strong in fiscal 2010, at 2.15x, down only slightly from 2.25x in fiscal 2009." Recovery from short-term revenue loss will be key to the Port's future ratings, as S&P observes that "...planned bond issuances will likely reduce debt service coverage," adding the proviso "however, the port manages its budget such that it maintains 2x coverage." With this plan, the Port looks to invest in capital in ways that not only provide good stewardship of valuable and historic assets, but that also maintain and increase revenues. The strategies described herein will further strengthen the Port's balance sheet in preparation for major projects at SWL 337 and Pier 70 that will require the Port to take on substantial new debt envisioned by the Capital Plan.



## II. Summary of Changes

As with the FY 2012-21 Plan, this plan contains thematic as well as substantive departures from prior iterations. Substantive revisions are explained throughout. Thematic revisions include changes to the order of magnitude of reporting as well as a new section, Plan Context.

### Shift from “in Thousands” to “in Millions”

As noted above, the FY 2013-22 Plan reports high level numbers in millions instead of thousands. After internal review, staff considered this a conservative change, ensuring that this document does not present a misleading sense of precision with regard to estimates generated for long-term capital planning purposes. This order of magnitude of analysis is consistent with that employed for the 34<sup>th</sup> America’s Cup Project, and will be nominal for this Plan moving forward.

### Annual Revision of 10-Year Need

The FY 2013-22 update of the Port’s 10-Year Capital Plan identifies a total need of approximately \$2.2 billion, primarily for deferred maintenance and seismic upgrade work required on Port facilities. This is approximately \$38 million greater than the approximately \$2.17 billion identified in the Port’s FY 2012-21 update.

This increase is largely made up of:

1. the 3.5% annual cost escalation used by the City and County of San Francisco (CCSF), which has been incorporated into this Plan;
2. the inclusion of a new year (FY 2022) in this Plan, where most of the FY 2012 unfunded costs became a part of the Port’s backlog; and
3. substantial downward adjustments resulting from revised estimates related to detailed investigation of America’s Cup facilities, which total nearly \$75 million.

The remaining difference is a result of the removal of completed projects and many small adjustments to cost estimates over the past year, many of which are offsetting. Apart from those costs noted above, other substantial adjustments include a revision upward of ongoing dredging costs by approximately \$16 million over 10 years, a very significant adjustment, given that this item is funded directly from the Port’s very limited annual capital fund.





A summary of the changes over the last year is as follows:

<u>Changes in Dollars (in millions)</u>	
FY 2012-2021 Total	\$2,172.6
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The reduction in estimated need for the Northeast Waterfront and South Beach by 7.2 and 4.7 percent, respectively, are both attributable to changes to project cost estimates triggered by additional structural review associated with the 34<sup>th</sup> America's Cup as more fully discussed below. While the relatively minor changes in the Fisherman's Wharf, Ferry Building Area, China Basin and the Southern Waterfront are all a result of small offsetting adjustments, the substantial 10.7% change to the Portwide category is largely a result of foregone investment in substructure maintenance as well as increases in dredging costs, detailed below.

#### Northeast Waterfront

The capital plan need in the Northern Waterfront region declined by \$27.2 million or 7.2%. The arrival of the 34<sup>th</sup> America's Cup necessitated Port staff revisiting estimates and assumptions made under prior development considerations. Together with a new certainty of understanding of intended use of Piers 27 and 29, this review allowed for removal of seismic need altogether. Port engineering staff, together with outside engineering support, determined that both Pier 27 and Pier 29 are in good seismic condition, and that use as a cruise terminal is code-consistent. The seismic costs carried in the Port's capital database assumed office use (as per the development plans drafted by Shorenstein Properties LLC), with assumed seismic upgrades of \$23 million at Pier 27 and \$17.5 million at Pier 29. More recent seismic analysis associated with the James R. Herman Cruise Terminal project has demonstrated that the Piers 27-29 substructure meets code requirements, even assuming a change in occupancy for the piers. Given the seismic condition of the Piers 27-29 substructure, these costs have been removed.



Likewise, costs associated with the rehabilitation of the Pier 27 shed have been removed, replaced with a one-time demolition cost, for a net reduction of \$5.7 million.

### South Beach

In the Port's South Beach region, overall need has decreased by \$15.3 million or 4.7 percent largely as a result of revised downward estimates for seismic projects at Piers 26 (net reduction, \$18 million) and Pier 28 (\$7.9 million). Again, the more detailed review of these facilities and resulting revisions to seismic need estimates resulted from these piers being considered as a part of the 34<sup>th</sup> America's Cup.

### Portwide Projects

For purposes of this Plan, the Port treats piers and wharves collectively as infrastructure. The treatment of these structures then, as a group, is similar to how a city would treat a system of utility mains. Instead of maintaining each piece of the system individually, an amount of funding is programmed each year to repair or replace elements that become damaged by external events, as well as elements that become the weakest part of the overall system. This is in part because infrastructure elements, unlike building subsystems (electrical systems, HVAC systems) are not mechanical in nature, and thus have a much longer lifespan. In addition, because of these long life spans, differential wear-and-tear of the Port's substructure elements is difficult to predict.

As the Port was not able to commit any capital funds to pier and wharf substructure renewal over the past year, the schedule this year reflects movement of \$20 million into the FY 2012 backlog for this cost. Until such time as the Port is in a position to commit funding to this line item, that backlog will continue to grow in successive years. This movement of the FY 2012 foregone capital expenditure into backlog, as well as increases to dredging costs by \$16 million and other technical adjustments account for the increase to the Portwide cost center listed above by 10.7 percent.

### The San Francisco Seawall and Marginal Wharf

#### *Current Flood Risk*

Since 2007, Port staff has been working with the Mayor's Office and the Office of the City Administrator and various state and federal agencies, including the Federal Emergency Management Agency (FEMA), to examine current flood risk along the Port's jurisdiction. Port staff briefed the Port Commission on June 10, 2008 regarding FEMA's efforts to map flood risk in jurisdictions along San Francisco Bay<sup>3</sup> and the implications of

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<sup>3</sup> The Port Commission staff report for the June 10, 2008 meeting can be found at:

- <http://www.sfport.com/ftp/uploadedfiles/meetings/supporting/2008/Item%207b%20National%20Flood%20Insurance%20Program.pdf>





the City's entry to the National Flood Insurance Program on future Port development. On July 29, 2008, the Board of Supervisors adopted Resolution 352-08<sup>4</sup> authorizing the City Administrator to join the National Flood Insurance Program.

### *Sea Level Rise*

In addition to current flood risk, the State of California is examining the ramifications of climate change, including sea level rise. In an effort coordinated by the Mayor's Office in 2010-11, Port staff participated in a public policy discussion led by the San Francisco Bay Conservation and Development Commission to examine the impacts of sea level rise on shoreline development around San Francisco Bay. On October 6, 2011, the San Francisco Bay Conservation and Development Commission amended the San Francisco Bay Plan to "update its 22-year-old sea level rise findings and to add a new section dealing more broadly with climate change and adapting to sea level rise"<sup>5</sup>.

The California State Lands Commission has also encouraged trustees of public trust lands such as the Port to develop sea level rise action plans. In response to these federal and state efforts, the Port's Engineering Division undertook its own study of sea level rise in order to examine potential future flood risk on Port property. The Port's contractor on this project is a joint venture of URS/AGS.

The purpose of the URS/AGS study was to provide an estimate of the sea level rise as it relates to that part of the San Francisco bay shoreline managed by the Port of San Francisco from Mission Bay north to Fisherman's Wharf<sup>6</sup>. In addition the URS/AGS team was also asked to determine the extent of shoreline inundation associated with SLR and provide mitigating/adaptation alternatives along with associated costs. The study results will provide guidance to the Port, Port tenants and potential developers for long term management of the Port's infrastructure assets.

The URS/AGS report studied the possible rise in the sea level for two time periods: (1) 2000-2050 and (2) 2000-2100. The report is based on review of existing available historical records and global warming studies done by various international, national, state and regional agencies, including the latest scientific developments and also are being adopted as sea level rise guidance by the State of California. The report concluded that based on historical data and research literature:

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- <http://www.sfport.com/ftp/uploadedfiles/meetings/supporting/2008/Item%207b%20Appendix%20B%20NFIP%20Map.pdf>
  - <http://www.sfport.com/ftp/uploadedfiles/meetings/supporting/2008/Item%207b%20Appendix%20B%20NFIP%20Map.pdf>

<sup>4</sup> <http://www.sfbos.org/ftp/uploadedfiles/bdsupvrs/resolutions08/r0352-08.pdf>

<sup>5</sup> [http://www.bcdc.ca.gov/proposed\\_bay\\_plan/faqs.shtml](http://www.bcdc.ca.gov/proposed_bay_plan/faqs.shtml)

<sup>6</sup> Port staff proposes to extend the study area to the Port's Southern Waterfront, first in the context of Pier 70 development and at Pier 80 and Piers 92-96 as maritime operations necessitate this analysis.





- Between 2000 and 2050, the sea level rise is expected to rise between 10-17 inches
- Between 2000 and 2100, the sea level rise is expected to rise between 31-69 inches.

The study identified the following areas of concern associated with current flood risk conditions:

1. End of Pier 45 between Sheds A and B
2. Embarcadero Promenade-Between Pier 14 and Agriculture Building to Pier 22 ½
3. Mission Creek Outfall Structure

The study identified the following additional areas of concern by year 2050:

1. Pier 5
2. Embarcadero Promenade-From Agriculture Building to Pier 22 ½
3. Pier 52 Boat Launch

The study identifies the entire San Francisco waterfront as at risk to inundation from sea level rise by 2100. The URS/AGS team is currently developing several mitigation/adaptation alternatives to address various areas of concern. Addressing areas of concern associated with SLR by 2050 are simpler and involve construction of short concrete walls at low water entry points. However, addressing inundation caused by SLR by 2100 is extremely complex and costly.

#### *Condition of the San Francisco Seawall*

The seawall and the adjoining marginal wharf are the City's primary flood control structures along the Bay waterfront.

According to the Port's Embarcadero Historic District National Register nomination, the Port's seawall, constructed atop a rock dyke, is made of concrete panels and wood logs, supported by concrete or wooden piles in most places. It defines San Francisco's waterfront for over four miles, curving along a line from the foot of Jones Street on the north to the mouth of China Basin on the east, and for an additional 500 feet south of China Basin. The rock dyke was originally built in a trench 20 feet deep and 100 feet wide; its embankment rises almost 40 feet to a 10 foot wide flat top. The seawall was constructed in segments from 1876 to 1929 and has been repaired over the years to maintain its original function.

These structures continue to function as originally designed, providing substantial flood protection to the waterfront and the City's downtown and adjacent neighborhoods. However, recent and planned Port construction projects, including the Pier 43 ½ Bay Trail Project and the Brannan Street Wharf Project, have uncovered aged and damaged elements of the Port's seawall and the marginal wharf. While these projects are



implementing capital upgrades to address these deficiencies, a site specific, project-by-project approach does not provide a holistic approach to assessing the seawall and marginal wharf.

Based on these conditions, coupled with current flood risk analysis and projections of sea level rise, the Port staff has begun the process of consulting with the City Administrator's Capital Planning Committee, the Mayor's Office and the Board of Supervisors regarding a long-range analysis of the condition of the Port's seawall and marginal wharf, their capacity to withstand seismic events, and how these structures and the Port's finger piers should be improved to withstand future flood risk.

Funding long-range improvements to the City's seawall and marginal wharf will require a coordinated local, state and federal strategy. This FY 2013-22 Capital Plan anticipates a need to initiate this effort with a federal request to the U.S. Army Corps of Engineers to study the City's seawall and marginal wharf. Such federal studies are an important first step to determining the federal interest in funding flood control projects through the Water Resources Development Act.

#### Development of a New Export Terminal at Pier 96

This plan reflects significant movement forward in the Port's strategic goal of developing a new export terminal—movement of iron ore being the current target product—through a facility at the Southern Waterfront's Pier 96. In 2011, the Federal Railroad Administration (FRA) awarded the Port a \$3 million grant for signaling and track upgrades to the Quint Street Lead, a one-mile stretch of track that connects the Caltrain main line to the Port of San Francisco Rail Yard on Cargo Way. While this piece of track is a physical, literal gateway to any facility developed at Pier 96, it is also a gateway in a larger, strategic sense. The key player in any new export of cargo through Pier 96 will be Union Pacific Railroad. Port staff has been in conversations with Union Pacific, which has agreed to provide a standard of rehabilitation for the Quint Street Lead that would allow Union Pacific to commit to movement of the type and volume of freight that would make for a viable export terminal at Pier 96. This engagement with Union Pacific and their commitment to standards necessary for them to move cargo represents significant progress toward the Port's strategic goal of increasing exports.

Leveraging this FRA award further, Port staff continues to explore other sources of federal funding appropriate for development of the new terminal at Pier 96, including the Department of Transportation's Transportation Infrastructure Generating Economic Recovery or TIGER grants. The Port's Quint Street Lead project was FRA's top ranked project, nation-wide, and Port staff hopes to leverage this status to realize additional project funding.





## The 34<sup>th</sup> America's Cup

On December 31, 2010, the City executed the Host and Venue Agreement ("HVA") with the America's Cup Event Authority, LLC, ("Event Authority") the entity charged with planning for and executing the 34<sup>th</sup> America's Cup on San Francisco Bay in 2013, and the America's Cup Organizing Committee ("ACOC"), a local non-profit charged with raising funds to offset City costs of hosting the Event.

On December 15, 2011, the San Francisco Planning Commission certified the Final Environmental Impact Report for the 34<sup>th</sup> America's Cup and James R. Herman Cruise Terminal and Northeast Wharf Plaza ("AC34 and Pier 27 FEIR"), and the Board of Supervisors upheld the certification of the AC34 and Pier 27 FEIR at an appeal hearing on January 24, 2012.

On December 16, 2011, the Port Commission approved the proposed Disposition and Development Agreement ("AC34 DDA") between the Port and the Event Authority. The San Francisco Board of Supervisors is expected to consider the AC34 DDA for approval in February, 2012.

Last year's FY 2012-21 10 Year Capital Plan projected capital costs associated with 34<sup>th</sup> America's Cup pre-Match improvements to Port property at \$47 million for upgrades to Piers 30-32 and \$7.5 million for work including Pier 27 shed demolition and relocation of Pier 27 shore power, totaling \$55 million before the Match in 2013. Further site inspection and development of 100% designs for Piers 30-32 has yielded a significantly higher estimated cost. Along with post-Match investments at Piers 30-32, and assuming full-build out of Pier 26 and Pier 28, the AC34 DDA provides an achievable 10-Year Capital Plan funding strategy for the majority of the Port's South Beach properties for the first time in the Capital Plan's seven year history.

## Port Debt Capacity

Rent loss to the Port resulting from long term development sites associated with the 34<sup>th</sup> America's Cup are expected to total \$3.9 million annually. This rent loss will result in a reduced capacity for the Port to issue debt supported by its balance sheet such as revenue bonds.

In February 2010, the Port issued \$36.7 million in Revenue Bonds in two series - a non-AMT tax-exempt series (Series 2010A) and a taxable series (Series 2010B). The capital projects receiving funding from these bond proceeds include the Pier 27 cruise terminal project, Piers 90-96 backlands, design work for Piers 19-23, Piers 33 and 35, Pier 19 roof replacements, and the Pier 50 valley. When the bonds were sold, the Port prepared five-year projections of its net revenues and debt service, which included the assumption that the Port would be issuing approximately \$59.5 million in additional debt within that five year period (2010-2015). These projections were based on: (1) \$10 million in net annual revenues, (2) an assumption that all future debt would be tax-exempt and (3) the addition of new revenue sources. The total debt capacity assumed was \$68.8 million.



The current projections estimate \$15.3 million in net annual revenues in FY 2011/12. The Port can issue approximately \$65 million of debt over the next five year period (2012-2017). This size of issuance is based on consideration of the need for taxable debt, revised timing and revenue estimates for development projects underway, rent loss from the transfer of long term development rights at Seawall Lot 330 and Piers 30-32, and development options granted at Piers 26, 28 and 29.

The planned uses for the Port's next debt issuance are to: (1) complete Phase I of the Cruise Terminal project and provide financing for Phase II that is recovered through a planned passenger facility charge, (2) finance shoreside power at the drydock on Pier 70 to meet the air quality mitigations for the Cruise Terminal project, and (3) finance projects that retain and enhance existing Port revenues as follows (reflects net project proceeds, not bond amounts):

- 2012 - \$15.5 million for Phase I for the Pier 27 cruise terminal project;
- 2014 - \$25 million for pier utility projects to preserve existing revenues, and for Piers 19-23, or for other revenue generating projects;
- 2014 - \$4.5 million for Phase II of the Pier 27 cruise terminal project, repaid through a passenger facility charge; and
- 2012-21 – approximately \$780,000 annual-loan repayment for a \$5.7 million shore power installation at the Pier 70 drydock. A utility surcharge and an incentive payment by the San Francisco Public Utilities Commission are expected to repay the Port for this expenditure over the next ten years, assuming that the Port renews its lease with BAE San Francisco Ship Repair in 2017.

Port staff is investigating with the Office of the City Controller options for issuing 2012 debt for the Cruise Terminal and Pier 70 shore power through City-sponsored Certificates of Participation, utilizing the City's strong credit rating and assets to secure lower cost debt.

#### Notes on Seismic Cost Estimation

Since the publication of the Port's first capital Plan in 2006, the Port has maintained a policy decision to assume a need for seismic repair that exceeds code-driven requirements. In consideration of the fact that many of the Port's structures are 100 years old, the Port's original Plan adopted a standard that all properties should be maintained to reasonably modern seismic standards, as if they were originally constructed within the last few decades.

To conform to City convention, last year's Capital Plan instituted a policy of only program funding for seismic work where a change of use or major rehabilitation is taking place, consistent with building code requirements. The Port still estimates seismic





upgrade costs for all of its unimproved facilities as part of its assessment of Portwide need. Over the next 10 years, that need totals over \$500 million<sup>7</sup>.

#### Allocation Strategy for Port Capital Funds

Last year's Capital Plan instituted a policy of programming capital resources to the bi-annual capital budgets and the 10-Year Capital Plan in a unified process for the first time.

The process involves a series of meetings with designated representatives from each of the Port's seven Divisions – the Capital Projects Working Group ("CP Group"). The CP Group developed the Port's evaluation criteria for capital projects, and weighting for each criterion. Annually, the CP Group allocates a total score to each capital project proposed by Port staff.

These first set of "evaluation" criteria address public safety concerns and conformance with the Port's mission, as set out in the Burton Act and Transfer Agreement of 1969 and are scored as follows:

<u>Review Criterion</u>	<u>Maximum Score</u>
Does the project address a code or regulatory issue?	20
Does the project significantly reduce liability to the Port?	15
Does the project promote maritime commerce, navigation or fisheries?	10
Does the project attract people to the waterfront?	10
Does the project protect natural or cultural resources?	15

The review process also employs two complimentary ways of scoring capital projects that would bring in additional revenue and/or reduce operating costs, the first intended to capture the efficiency of the investment, the second, the scale of the financial impact:

What is the payback period, if 10 years or less?	10
What is the total 10-year financial benefit to the Port?	20

Where a project would pay for itself in 10 years, that project was scored by subtracting the payback period, in years, from 11. For example, a project with a payback period of three years would score 8 points in this category.

To determine the score assigned for the 10-year financial benefit, the CP Group took the real benefits, as recorded in dollars, and then considered the distribution of all the values returned for projects at the end of the review process. The results were a rather even distribution, which made appropriate a simple method of scaling, where a project received 1 point for every \$500,000 worth of benefit within the 10-year Plan. For

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<sup>7</sup> This number excludes Pier 70, where the costs for seismic work are rolled into "full rehabilitation" estimates, where seismic-only costs cannot be separated out.





example, a \$4 million project that would generate \$1 million per year in new revenues would score 12 points in this category  $[(\$10 \text{ million} - \$4 \text{ million}) / \$500,000]$ .

Finally, Port staff reviewed all projects to determine if they fell into one or more of the four major categories listed below. The CP Group determined that a project belonging to one of these groups was worthy of separate consideration either before or after other projects, depending on the category.

#### Prioritization Category

- Is the project required to address an emergency, defined as an immediate threat to human health or the environment?
- Is the project legally mandated by a regulatory order or legal judgment?
- Is the project substantially matched by outside funding sources?

#### De-prioritization Category

- Is the project non-revenue generating and does it have less than 25% in outside matching funds?

In the process of applying these scoring criteria for the FY 2013-22 10-Year Capital Plan, Port staff observed a need to further prioritize revenue generating projects. As described above, current criteria prioritize capital projects with a demonstrable ten year financial benefit and with a payback period of less than ten years, but this weighting is balanced by criteria that emphasize code compliance and risk management, as well as other aspects of the Port's mission. Further emphasizing revenue generation would represent a policy shift that requires further consultation with the Port Commission, the Capital Planning Committee and the Mayor and the Board of Supervisors.

In the preparation for next year's plan (FY 2014-23), Port staff will consult with the Port Commission about the trade-offs inherent in such a shift in scoring weight. In short, with the arrival of the 34<sup>th</sup> America's Cup and the need to assume new debt to fund infrastructure associated with large-scale development at Seawall Lot 337 and Pier 70, the Port needs to focus on growing its revenues and strengthening its balance sheet. This may necessitate a reduction in future funding for mission-oriented capital improvements with a lower rate of return.

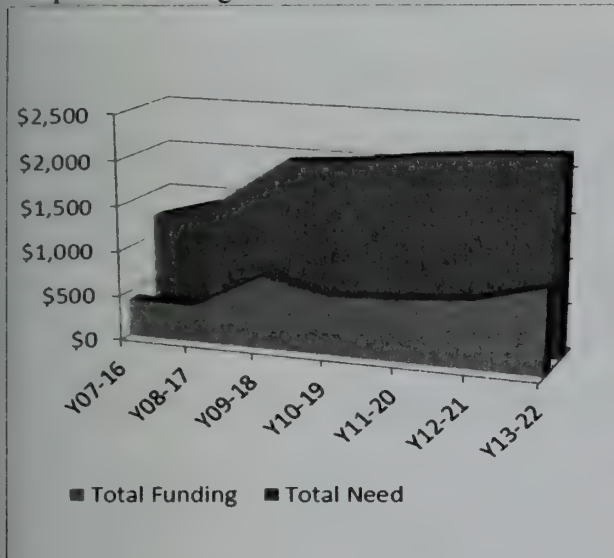
The project review process concludes with a proposed programming of Port capital funds over ten years based on the above evaluation, reconciled with estimated funding available each year, with greater detail and specificity contained in the first five years. The first two years, matched with available funding, then become the Port's two-year capital budget. The first two years of this plan correspond to the FY 2012-13, FY 2013-14 Two-Year Capital Budget. Also, the FY 2011-12 through FY 2015-16 Five-Year Financial Plan (available at: <http://sfmayor.org/Modules/ShowDocument.aspx?documentid=108>) reflects the capital budget in the first two years and forecasts available funding for the final three years based on this Plan. Highlights of the changes made in this FY 2013-22 Plan are discussed in more detail in the pages which follow.



### III. Plan Context

The \$956.1 million in funding this plan proposes over the next ten years is \$184.1 million more than the \$772 million proposed in last year's 10-year Capital Plan. This difference is primarily due to the inclusion of funding coming from the America's Cup Event Authority as well as of multiple sources contributing to construction of the new cruise terminal at Pier 27 (detailed in Section IV). The programming of \$956.1 million in funding represents a continued growth in resources roughly keeping pace with estimated need, as illustrated below.

Graph 1: Funding, Need Time Series

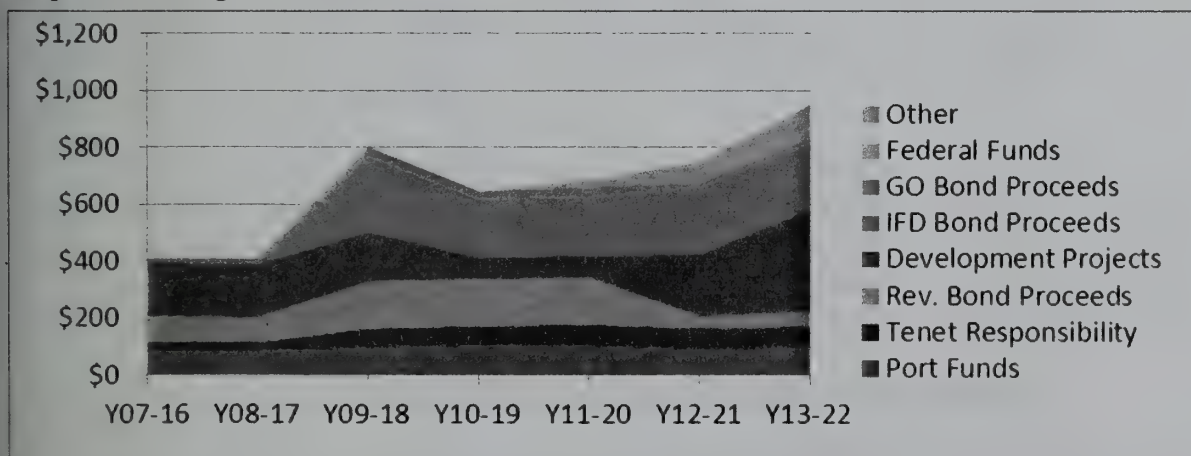


#### FY 2009-18 Plan: Recalculation of Need

As detailed in Table 2 below, The Port's 10-year estimate of need increased by over \$500 million in the FY 2009-18 plan over the previous plan as a result of a change in the methodology of need calculation. Where the first two iterations of the Port's 10-year capital plan focused on assessing the backlog need and 10-year Plan of Finance, the FY2009-18 plan was the first plan to capture new need (in addition to the backlog) expected to be incurred over the 10-year period of the Plan. It is only happenstance that there is a corresponding spike in funding sources, which is illustrated in greater detail in Graph 2 below

and explained thereafter.

Graph 2: Funding Sources Detail







### FY 2009-18 Plan: Rising Revenue Bond, IFD Bond Proceed Projections

In November 2008, San Francisco's voters approved Proposition D which provides an option for the Board of Supervisors to capture 75% of the payroll and hotel tax increment generated by future Pier 70 development to help fund Pier 70's immense public infrastructure and improvements.

These changes in law, together with revenue projections based on then-new private development prospects at SWL 337 resulted in changes to assumptions based on 1) new lease revenues which would allow the Port to leverage revenue bonds, as well as 2) an increased value to the property, which will allow the Port to leverage IFD bonds.

### FY 2010-19 Plan: Falling Development Project Financing

In FY 2009-10, plans for development of Piers 30-32 as the site of the Port's new cruise terminal as well as for development of Pier 27 as a mixed use office space facility were determined to be infeasible as then conceived. Despite efforts of Port staff and engagement with potential development partners, no public/private partnership emerged suitable for development of these structures. In the FY 2010-19 Plan, assumptions about development of these two facilities were removed from the Plan's plan of finance.

### FY 2011-20 Plan, FY 2012-21 Plan: Addition of Federal Funding

- Where the Port had successfully sought small amounts of federal funding in the past, the successful appropriation of \$4.8 million against the Water Resources Development Act of 2007 (see Federal Funding, Section V) and ongoing discussion with the Army Corps of Engineers prompted staff to include amounts authorized (though not yet appropriated) by Congress. The above referenced \$4.8 million appropriation for demolition of Pier 36 was followed by a \$3 million appropriation from the Department of Defense. Subsequent requests for congressional appropriations suggested that the Port had established a baseline of funding requests that, given appropriately targeted need, would be viable on an ongoing basis. As a result, Port staff added federal funding as a finance tool for the Port's 10-Year Capital Plan.

In 2010, the California Legislature adopted AB 1199 (Assemblymember Tom Ammiano), permitting the Port to establish a Pier 70 Infrastructure Financing District ("IFD") that may issue debt repayable with both the local share of possessory interest tax (already permitted under current law) and the state's share of possessory interest tax (permitted by AB 1199), resulting in a projected increase in IFD bonding capacity of almost 40%.

### FY 2012-21 Plan, FY 2013-22 Plan: Growth in Development Funding

The arrival of the 34<sup>th</sup> America's Cup represents a substantial new source of funding for development of several of the Port's piers (see 34<sup>th</sup> America's Cup, Section V). Anticipating the next iteration of this plan, staff will show a sharp drop off in



development funding as a source with a corresponding partial reduction in need. This change will be a positive one, as it will reflect the completion of The Exploratorium Development Project.

#### FY 2013-22 Plan: Other Sources

As detailed below in Section V – Plan of Finance, this plan lists the James R. Herman Cruise Terminal at Pier 27, with its variety of funding sources (some of which are not yet finalized) as “other”.

**Table 2: Funding and Need Time Series**

#### *Funding, Need Time Series (in millions)*

	Y07-16	Y08-17	Y09-18	Y10-19	Y11-20	Y12-21	Y13-22
<b>Total Funding</b>	\$414	\$411	\$804	\$650	\$687	\$752	\$956
<b>Total Need</b>	<u>1,229</u>	<u>1,432</u>	<u>1,945</u>	<u>2,001</u>	<u>2,101</u>	<u>2,173</u>	<u>2,211</u>
Shortfall:	(\$815)	(\$1,021)	(\$1,141)	(\$1,351)	(\$1,414)	(\$1,421)	(\$1,255)

#### *Funding Detail (in millions)*

	Y07-16	Y08-17	Y09-18	Y10-19	Y11-20	Y12-21	Y13-22
Port Funds	\$87	\$87	\$95	\$104	\$103	\$89	\$96
<b>Tenant Responsibility</b>	<b>33</b>	<b>30</b>	<b>71</b>	<b>71</b>	<b>76</b>	<b>78</b>	<b>78</b>
Rev. Bond Proceeds	86	86	164	164	164	40	50
<b>Development Projects</b>	<b>190</b>	<b>190</b>	<b>176</b>	<b>76</b>	<b>80</b>	<b>220</b>	<b>362</b>
IFD Bond Proceeds	18	18	264	205	205	232	232
<b>GO Bond Proceeds</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>30</b>	<b>34</b>	<b>19</b>	<b>19</b>
Federal Funds	-	-	-	-	25	40	34
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>85</b>
<b>Total:</b>	<b>\$414</b>	<b>\$411</b>	<b>\$804</b>	<b>\$650</b>	<b>\$687</b>	<b>\$752</b>	<b>\$956</b>

Port staff looks to future iterations of this plan with an eye toward further reduction of the funding-need shortfall, and is energized in continuing to both expand existing financing as well as add new finance mechanisms. Details for this year’s plan follow in Sections IV and V.





#### IV. Funding and Expenditure Schedule

Table 3: FY 2013-22 10 Year Spending and Funding Plan

	2013	2014	2015	2016	2017	2018-22	Total
<b>Spending Plan</b>							
Emergency Facility Repair	\$6.6	\$0.1	\$0.1	\$0.1	\$0.1	\$0.5	\$7.5
ADA Upgrades	0.4	0.1	0.1	0.2	1.0	0.5	2.3
Emerging Needs	0.1	0.2					0.3
Dredging	3.8	4.0	5.5	5.6	4.8	29.3	53.0
Repair / Reinvestment	77.8	30.0	27.9	2.8	2.9	345.5	486.9
America's Cup - ACEA Projects	68.1				74.2		142.3
Repair and Replace Subtotal:	156.8	34.4	33.6	8.7	83.0	375.8	692.3
<b>Enhancements</b>							
Pier 27 Cruise Terminal	62.4	30.8					93.2
Other	147.0	15.4	8.2				170.6
Enhancements Subtotal:	209.4	46.2	8.2				263.8
<b>Spending Total:</b>	<b>\$366.2</b>	<b>\$80.6</b>	<b>\$41.8</b>	<b>\$8.7</b>	<b>\$83.0</b>	<b>\$375.8</b>	<b>\$956.1</b>

Deferred Need:  
**\$1,518.2**

	2013	2014	2015	2016	2017	2018-22	Total
<b>Funding Sources</b>							
Port Capital Budget	\$14.7	\$9.4	\$8.6	\$8.7	\$8.8	\$46.1	\$96.3
Multiple - Pier 27 Cruise Terminal	61.2	24.5					85.7
US Department of Defense	3.0						3.0
US Army Corps of Engineers						20.2	20.2
FEMA (Cruise Terminal Security)	1.2	6.3					7.5
Federal Railway Administration	3.0						3.0
2008 GO Park Bond Proceeds		10.4	8.2				18.6
8 Washington Project	10.0	5.0					15.0
Exploratorium Development Project	205.0						205.0
Port Revenue Bond Proceeds		25.0	25.0				50.0
Port Tenant Improvements						78.0	78.0
IFD Bond Proceeds						231.5	231.5
America's Cup Event Authority	68.1				74.2		142.3
<b>Total Funding:</b>	<b>\$366.2</b>	<b>\$80.6</b>	<b>\$41.8</b>	<b>\$8.7</b>	<b>\$83.0</b>	<b>\$375.8</b>	<b>\$956.1</b>

<b>Additional Sources Sought</b>							
US Army Corps of Engineers			\$3.0				\$3.0
US Department of Defense			3.0		3.0	3.0	9.0
US Department of Transportation			3.0	12.0			15.0
2012 GO Park Bond Proceeds	10.0	20.0	10.0				40.0
Transferable Development Rights						23.9	23.9
City-wide Assessment District						20.0	20.0
USACE - WRDA 2014						40.0	40.0
<b>Total Additional Funding Sought:</b>	<b>\$10.0</b>	<b>\$20.0</b>	<b>\$19.0</b>	<b>\$12.0</b>	<b>\$3.0</b>	<b>\$86.9</b>	<b>\$150.9</b>





For a detailed breakdown of costs in the schedule above, see Appendix A to this report. A further breakdown of projects within each building is available upon request.

Just over \$1 billion, or roughly half the overall need identified in the Port's 10-Year Capital Plan, addresses renewal and repair of existing facilities or deferred maintenance. Of the \$956.1 million the Port proposes to fund in the 10-Year Capital Plan, approximately \$693 million is allocated to renewal and repair (accompanied by seismic upgrades, where triggered by other work), reducing the Port's overall need from \$2.2 billion to \$1.5 billion, with the remaining \$263 million allocated to capital enhancement projects (\$137 million in enhancement work, or nearly half of the total capital enhancements, is taking place at Piers 15-17 through The Exploratorium Development Project).

The Portwide Annual Programs that are funded on a continuing basis in the Port's annual capital budgets include (1) emergency facility repair, a set-aside of funds for unforeseen situations, available for the most pressing capital needs in subsequent years if the programmed year remains emergency-free, (2) completing renovations in keeping with the Americans with Disabilities Act, and (3) dredging of the bay floor along the waterfront, which maintains the depth of the berths at the Port's piers so that they remain suitable for water traffic.

Other spending plan items include (4) emerging needs, where planning and design of projects are funded in order to position them for non-Port sources of construction funds, (5) capital enhancements, where new assets are being constructed or where development of a facility includes rehabilitation far beyond return to current use, and (6) America's Cup Event Authority ("ACEA") projects, as discussed in detail below.

Because of the sheer magnitude of the Port's remaining Annual Program, the Pier/Wharf Substructure Reinvestment program, for the moment, receives little, if any, funding. In order to maintain the Port's pier substructures and arrest the growth of the capital backlog, the Port must reinvest back into the Port's pier substructures approximately 0.75% of the value of those substructures, each year<sup>8</sup>. Unfortunately, because of the cost to do so, the Port has been unable to make the necessary investments to maintain the Port's substructures in good repair.

Lastly, for the first time in the Port's 10-Year Capital Plan, construction of a new cruise terminal is listed as a separate line item in the schedule above. Recognizing the importance of the Port moving forward with this significant strategic capital investment, a project-specific funding and expenditures schedule is provided below:

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<sup>8</sup> The level of need is calculated based on the cyclical replacement of portions of pier substructures, based on construction type and exposure to tidal action. For example, Port engineers estimate that the Port should rehabilitate 15% of the Port's pre-1920's era concrete piers every 20 years.



**Table 4: Pier 27 Cruise Terminal Spending and Funding Plan**

	2012	2013	2015-22	Total
<b>Spending Plan</b>				
A&E, Proj. Mgm't & Entitlement	\$16.7	\$3.0		\$19.7
DPW Program Contingency	0.3	0.4		0.7
Construction	40.3	23.2		63.5
Construction Management	1.2	0.7		1.9
Construction Contingency	3.9	3.5		7.4
<b>Spending Total:</b>	<b>\$62.4</b>	<b>\$30.8</b>		<b>\$93.2</b>

<b>Funding Sources</b>			
Watermark Condo Sales Proceeds	\$20.1		\$20.1
Port Revenue Bond Proceeds	10.1		10.1
Certificates of Participation (City)	15.5		15.5
City Contribution	6.5		6.5
Port Capital and Other Port Funds	6.9		6.9
America's Cup Event Authority	2.0		2.0
FEMA Security Grant	1.2	6.3	7.5
<b>Total Funding:</b>	<b>\$62.3</b>	<b>\$6.3</b>	<b>\$68.6</b>

<b>Additional Sources Sought</b>		
2012 GO Parks Bond Proceeds	\$14.0	\$14.0
Terminal Operator Contribution	2.7	2.7
Passenger Facility Charge	7.2	7.2
Other Unidentified Sources (net)	0.7	0.7
<b>Total Additional Funding Sought:</b>	<b>\$24.6</b>	<b>\$24.6</b>

**Grand Total Funding: \$93.2**

It is important to note that, as with prior reports and in keeping with capital planning convention, the backlog costs have been estimated in 2013 dollars, and are not escalated to the anticipated project date.





## **V. Plan of Finance**

The purpose of the plan of finance is to, in light of the 10-year capital need outlook, lay out strategically how the Port intends to pursue growth of existing and use of new financing mechanisms.

In this plan, Port staff proposes -- and the Port Commission will eventually make decisions regarding -- a financing plan that will fund \$956.1 million over the ten years of this Plan. These financing tools consist of \$55 million from the ACEA, \$50.7 million in Port Revenue Bond proceeds, \$231.5 million in Infrastructure Finance District (IFD) bond proceeds, \$18.6 million in 2008 General Obligation Bond proceeds, nearly \$40 million from a variety of federal funding sources, funds from the Port's operating budget, and private funds from Port tenant obligations and proposed development partners (see Table 3).

With respect to the revised FY 2013-22 plan, adjustments, growth and impacts to the Plan of Finance encompass a range of newly funded projects and programs as well as new sources of potential funds. Descriptions of each of these are presented below.

### **34<sup>th</sup> America's Cup**

While much activity has taken place over the last year, the visible and impactful change for the Port over 2011 has been the progression of the development of the 34<sup>th</sup> America's Cup project. The current form of the Development and Disposition Agreement ("AC 34 DDA") calls for the Port to complete certain, planned capital improvements to Port property, including the Pier 27 James R. Herman Cruise Terminal, the Brannan Street Wharf, and demolition of Pier 36. The AC34 DDA requires the America's Cup Event Authority to rehabilitate Piers 30-32 and make other pre-Match improvements to Port property, and permits the Event Authority to develop Piers 26, 28, 30-32 and 29 after 2014. Along with the planned development of Seawall Lot 337 by SWL 337 Associates, LLC, development of Piers 26, 28 and 30-32 will realize most of the goals for the Port's Waterfront Land Use Plan ("WLUP") for the South Beach/China Basin<sup>9</sup> subarea of the waterfront. Additionally, short-term use of certain Port facilities including Piers 19, 19 ½, 23, and 29 ½ provides an opportunity for strategic capital investment in 2012 or 2014, when vacancy may provide a unique window for rehabilitation of one or more of these piers.

As described above, last year's Capital Plan projected capital costs associated with 34<sup>th</sup> America's Cup pre-Match improvements to Port property at \$47.5 million for upgrades to Piers 30-32 and \$7.5 million for work including Pier 27 shed demolition and relocation of Pier 27 shore power, totaling \$55 million before the Match in 2013.

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<sup>9</sup> The South Beach/China Basin subarea of the WLUP extends from Pier 22 ½ just south of Rincon Park to Mariposa Street in Mission Bay.



As reported in the February 7, 2012 Port staff report to the Port Commission regarding the AC34 DDA terms, total pre-Match in FY 2011-12 and post-Match expenditures by the Event Authority are approximately as shown in Table 5 below.

**Table 5: FY 2013-22 10-Year Capital Plan Projected Event Authority Expenditures Associated with the 34<sup>th</sup> America's Cup**

<b>Event Authority Work</b>	<b>Amount (millions)</b>
<b>Authority Work prior to Event</b>	
Piers 30-32 Substructure Repair and Seismic Upgrade	\$59.4
Pier 29 End Wall and Substructure Repair	1.85
Pier 19 South Apron	4.5
Other BCDC Costs (Pier 64 Removal, Pier 23 Handrail, etc.)	2.3
<b>Total Pre-Match (2012)</b>	<b>\$68.1</b>
<b>Authority Work after the Event (Estimated 2017)</b>	
Full Seismic Upgrade to Piers 30-32	\$26.4
Pier 26 Substructure and Seismic Upgrade	26.7
Pier 28 Substructure and Seismic Upgrade	21.1
<b>Total Post-Match (2017)</b>	<b>\$74.2</b>

Notes: Estimates include 15% General Contractor's fee, bonds, general conditions; 10% contingency; 8% soft costs. Post-match expenditures are current dollars (not inflated). No substructure costs are assumed for Pier 29 due to its condition and because it is a contingent development site that will be provided to the Event Authority only if expenditures exceed a certain threshold.

As reported in the February 7, 2012 Port staff report to the Port Commission, the AC34 DDA defines several categories of investment for the purposes of reimbursement, with each category of investment reimbursed by a distinct and finite list of Port resources, as shown in the table below.



**Table 6: Plan of Finance for Event Authority Improvements**

Type of Work	Exclusive List of Repayment Sources	ACEA Rent Credit Value (2012 NPV at 11 %)
"Authority Infrastructure Work" (Capital Investment on Piers 30-32 and Other Improvements to Port Property)	P30-32 for 66 Years	31.0
	SWL 330 Sale	24.0
	IFD Bond proceeds from P30-32 and SWL 330	10.4
	P26 and P28 Interim Rent (Up to 10 Yrs.)	11.0
	P29 Interim Rent (Up to 10 Yrs.)	4.7
	P29 for 66 Years	7.6
	Residual Rent from P30/32	-
	<b>Total</b>	<b>88.7</b>
Type of Work	Exclusive List of Repayment Sources	ACEA Rent Credit Value (2017 NPV at 11 %)
"Additional Work" (Optional Capital Investment on Piers 26 and 28) <sup>10</sup>	P26 and P28 for 66 Years	15.1
	IFD Bond proceeds from P26/28 Development	3.7
	Historic Preservation Tax Credits	20.0
	Residual Rent from P26/28	-
	<b>Total</b>	<b>38.8</b>

Port staff notes that there is uncertainty as to whether the AC34 DDA provides sufficient sources of repayment to make Pier 26 and 28 financially feasible development sites. For that reason, Port staff is investigating the feasibility of legislation that would permit a limited number of Port piers (26, 28, 19 and 23) to participate in the sale of transferable development rights in the Planning Code C-3 District, as described in more detail below.

In conjunction with both the James R. Herman Cruise Terminal and AC34, BCDC has imposed a number of public access and related requirements that will require substantial investment in Piers 19-23. The Event Authority will invest an estimated \$3.5 million in the Pier 19 south apron, and install hand rails on the Pier 23 north apron. Subject to final review of the Port Commission and approval by BCDC, within ten years after Phase I of building the Cruise Terminal, the Port will be required to improve the remaining aprons at the Piers 19-23 complex, and remove Pier 19 ½, a non-historic connector building

<sup>10</sup> Under the DDA, the Authority gains exclusive negotiating agreements for long-term marina rights in two locations (Pier 54 and the Brannan Street Open Water Basin) with the Port in exchange for dredging to accommodate spectator vessels. The DDA further provides that the Authority may transfer rent credits to and from Piers 26 and 28 and the marinas (except for Pier 54 substructure costs). The scope of these marinas is unknown. Furthermore, it is not known whether the marinas would receive regulatory approvals from state and federal agencies, including the San Francisco Bay Conservation and Development Commission, the San Francisco Bay Regional Water Quality Control Board and the U.S. Army Corps of Engineers. Port staff therefore deems both the cost of marina development and the value of such marinas too speculative to perform a financial analysis of these rights.





between the original Piers 19 and 23 that currently blocks views to the Bay. Port staff currently estimates the cost of this Port-required work at \$13 million. If the Port is able to obtain San Francisco Planning Code amendments to pay for this work in the near term, these strategic investments, coupled with the expected vacancy of these piers in 2014<sup>11</sup>, may establish these piers as the next pier rehabilitation projects in the Port's northern waterfront.

If the Port succeeds in obtaining the necessary approvals for the AC34 DDA, Port staff must immediately shift attention to other revenue-generating projects such as the Pier 90-94 Backlands off Amador Street and the Piers 19-23 project to implement a strategy of capital investment that enhances the Port's balance sheet.

### Under Pier Utility Infrastructure

This year's Capital Plan presents a more comprehensive strategy for addressing the Port's under pier utility infrastructure needs. In 2009, the Port experienced a water leak at Pier 15; the Regional Water Quality Control Board (RWQCB) issued a Notice-of-Violation (NOV), directing the Port to develop an infrastructure evaluation work plan and implementation schedule for needed infrastructure improvements. The Port contracted for a survey of under pier utilities; the resulting condition assessment concluded that the water and sewer infrastructure is, in many places, in unacceptable condition and estimated replacements costs could exceed \$40 million.

In response to the NOV, the Port devised a strategy for addressing under pier utility problems by grouping piers into categories and assigning responsibility for each category (i.e., tenant, AC34, Port, future developer). Where tenants have an obligation under their lease to maintain and repair utilities, they have been advised of the results of the condition assessment and directed to make needed repairs. For those piers that will be utilized for the 34<sup>th</sup> America's Cup, the Port has reviewed plans for utility improvements to ensure they are sufficient to meet the intended use at various locations, and that they adequately address problems identified in the condition assessment. Similarly, as piers are subject to future development, the Port will require development plans to employ innovative technologies, materials, installations, and other techniques that could reduce exposure and improve performance and reliability of water and sewer infrastructure.

For the remaining category of piers, the Port has established a procedure and adopted criteria to determine the priority for addressing those piers for which it is directly responsible for utilities. In addition to condition scoring (1-5), the criteria include factors such as size, prior investments, current or future value, as well as current use and occupancy. In the initial application of these criteria, the Port selected the following projects for inclusion in the Capital Plan:

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<sup>11</sup> Piers 19-23 are expected to be returned to Port control in 2014 or after any subsequent defense of the America's Cup hosted in San Francisco that requires the use of these piers.



• Wharf J-1 in Fisherman's Wharf	\$350,000	FY 2013
• Pier 9 in the Northern Waterfront	2,140,000	FY 2014
• Utility Capital Maintenance	<u>250,000</u>	annually, beg. FY 2014
	\$2,740,000	

#### Wharf J-1

Work at Wharf J-1 in FY 2012-13 will involve replacing sewer collection pipes that handle sewer waters from several restaurants along Taylor Street. Work will include replacing potable water pipes and pipe hangers to ensure a system life of at least 20 years.

#### Pier 9

Pier 9 will serve as a pilot project for future under pier utility repair and replacement. The replacement design will explore innovative and state-of-the-art solutions to improve the performance and reliability of water and sewer utilities. The design team will analyze alternatives, investigating materials and methods unique to the marine environment, such as plastic pipes, corrosion control, vacuum-assisted pumps, double-walled pipes, and other innovations that would reduce the exposure and resulting failure of plumbing infrastructure.

Design criteria will be used to prepare contract documents for the selection of a qualified contractor to execute the infrastructure replacement. The project includes construction management and oversight services, final inspection and acceptance. Port staff expects the new utility system to be completed around October, 2014.

#### Utility Capital Maintenance

Based on the condition assessment referenced above, the Port has determined that some utility problems may be addressed more effectively through a capital maintenance program in lieu of or until more extensive development and replacement occurs. The Port's Maintenance Division is in the process of instituting an inspection program to examine water and sewer infrastructure on an annual basis, consistent with the Port's permit requirements.

The Maintenance Division has created a scorecard to record observations and assess conditions based on visual inspections. The division has documented a response protocol that will be followed to address the findings from inspections. Work orders will be generated to address detected leaks or critical conditions that pose an immediate threat to water and sewer infrastructure. Non-critical conditions will be documented and scheduled for follow-up inspections on an annual basis.

#### Infrastructure Financing District Revenues

As described in the December 16, 2011 Port Commission staff report regarding a Port Infrastructure Financing District, Government Code Sections 53395 et seq. ("IFD Law")





allow public agencies, including the City, to finance public infrastructure improvements by capturing and bonding against property tax increment generated in the IFD after it is established. To do so, the public agency must follow a multi-step process that includes approval of a financing and infrastructure plan by the Board of Supervisors.

IFD Law was crafted to allow IFDs to function much like redevelopment project areas. In this regard, IFDs do not increase tax rates, rather, they rely on increases in the property tax base within the IFD. Like redevelopment, the fundamental justification for tax increment financing is the notion that but for public and private investment made possible by tax increment financing, development and the resulting property tax increases would not occur.

As described in its December 16, 2011 Port Commission Port Infrastructure Financing District staff report, Port staff have introduced to the Board of Supervisors a Resolution of Intention to Establish an Infrastructure Financing District for City and County of San Francisco (Infrastructure Financing District No. 2). Port staff has provided notice of intent to form project areas on sites where, through Port development projects and the America's Cup, the Port Commission has indicated it may consider establishing IFD project areas in the future. These sites include:

- Seawall Lot (SWL) 330
- Piers 30-32
- Pier 26
- Pier 28
- SWL 351
- SWL 337
- Pier 48
- Pier 70

SWL 330, Piers 30-32, Pier 26 and Pier 28 are sites called out as long-term development where the City has an obligation to form an IFD project area pursuant to the America's Cup Host and Venue Agreement (HVA). The other properties are subject to Exclusive Negotiating Agreements with private developers where the Port Commission has indicated it may consider an IFD project area as part of these development projects in the future. For maximum flexibility in the timing of development and the flow of tax increment, each of these properties is called out as a separate project area. However, at the request of Board President David Chiu, SWL 351, and at the request of Supervisor Jane Kim, SWL 337, have been removed from the pending legislation.

### *34<sup>th</sup> America's Cup IFD*

The AC34 DDA requires the City to establish an IFD for Piers 30-32, Seawall Lot 330, Pier 26, and Pier 28. Assuming a 1.3:1 debt service coverage ratio and an 11% discount rate, Port staff projects that an IFD over Piers 30-32 and Seawall Lot 330 will generate \$10.4 million in aggregate net present value. This is the first repayment source for



certain Event Authority expenditures over \$55 million in the AC34 DDA. Using the same assumptions, Port staff projects that an IFD over Piers 26 and 28 will generate \$3.7 million (aggregate net present value) to repay long-term development investments in those piers. The AC34 DDA permits the City to reserve debt service coverage for its own use. Port staff proposes that this debt service coverage, if not used, be reserved for Port annual capital expenditures.

#### *AB 664 IFD*

As described in the February 14, 2012 Port Commission staff report regarding the AC34 DDA, the Port of San Francisco worked with the Office of Mayor Ed Lee and Assemblymember Tom Ammiano in 2011 to enact AB 664 related to financing improvements required for the 34<sup>th</sup> America's Cup. AB 664 was adopted by the Legislature and signed into law by Governor Jerry Brown.

AB 664 includes a financial test: if the California Infrastructure Financing Bank (I-Bank) finds that the net present value of tax benefits of the 34<sup>th</sup> America's Cup to the State of California exceeds the net present value of proceeds of growth in possessory interest tax from future development of America's Cup Venues on Port property that would otherwise be deposited into the State's Education Revenue Augmentation Fund (ERAF), then the State of California will participate in funding waterfront improvements for the 34<sup>th</sup> America's Cup by allowing the Port to divert up to \$1 million annually from ERAF for a period of up to forty-five years for the following purposes:

- To finance or refinance improvements to the Pier 27 Cruise Terminal;
- To finance additional shore power improvements to port property; and
- Utilizing 20% of available proceeds, to finance legacy improvements to National Park Service, State parks, or San Francisco Recreation and Parks Department lands used as venues for watching the 34<sup>th</sup> America's Cup.

The Bay Area Council Economic Institute and Beacon Economics report "*America's Cup: Economic Impacts of a Match on San Francisco Bay*" estimated tax benefits of the 34<sup>th</sup> America's Cup of \$61 million from 2012-13. The net present value of the 45 year ERAF share of increment that AB 664 will provide is \$15.5 million (6 percent discount rate).

Port staff is exploring potential changes to AB 664 that will make this tool more useful for the Port, including indexing the \$1 million annual cap.

#### *Seawall Lot 337*

Looking toward current plans for development of the Port's SWL 337, the developer's proposal anticipates a phased multi-year project with horizontal development costs of approximately \$200 million and vertical development costs of approximately \$1.5 billion.



About 25% of this investment, or approximately \$400 million worth, is expected to occur within the 10-year scope of this Plan.

While Port staff assumes that revenues and tax increment arising from development of SWL 337 will likely be realized before 2021, the Plan does not assign SWL 337's projected \$65 million in tax increment debt proceeds to specific uses.

#### *Seawall Lot 351*

The proposed agreement for the Seawall Lot 351 Development and Disposition Agreement which is expected to be considered by the Port Commission in March 2012 provides that the Seawall Lot 351 project will include creation of an Infrastructure Financing District that includes adjacent non-Port property at 8 Washington Street and is expected to generate \$25 million in tax increment debt proceeds to fund Port Capital needs<sup>12</sup>. As with SWL 337, this Plan reflects continuing uncertainty of the real estate market, and actual proceeds will be based on assessed values.

Subject to review and approval by the Port Commission and the Board of Supervisors, Port staff recommends utilizing the \$25 in projected Seawall Lot 351/8 Washington IFD bond proceeds for the following purposes:

- Pier 27 Cruise Terminal Phase 2 costs (\$15 million)
- Under Pier Utility Projects (\$5 million)
- San Francisco Bay Conservation and Development Commission *Special Area Plan* and Pier 27 Major Permit costs (\$5 million)<sup>13</sup>

Pursuant to a request by Board President David Chiu, SWL 351 was removed from the legislation pending before the Board. New legislation is required to enact this IFD program for SWL 351.

#### *Pier 70*

Pursuant to Port Commission direction, Port staff has commenced the process of implementing the Pier 70 Master Plan, starting with the issuance of a Request for Qualifications for a developer for the 20 acre Waterfront Site. The passage of AB 1199

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<sup>12</sup> Subject to approval by the Port Commission and the Board of Supervisors, the Seawall Lot 351 Disposition and Development Agreement provides that \$5 million of the proceeds of the Seawall Lot 351/8 Washington Street IFD will be used to fund public park improvements at the proposed site. Port staff recommends that the first \$5 million of tax increment collected by this IFD be used, on a pay-go basis, while the stream of increment stabilizes (i.e., as condominiums in the project are sold). A stabilized revenue stream will yield a better borrowing rate for eventual debt issuance and maximize bond proceeds.

<sup>13</sup> For a detailed list of BCDC *Special Area Plan* proposed requirements for the Pier 27 Cruise Terminal, including recent Port cost estimates, please see the February 23, 2012 Port Commission staff report on BCDC Special Area Plan Amendments, which is posted on the Port's website at <http://www.sf-port.org/index.aspx?page=2003>





(Assemblymember Tom Ammiano) reduces the Pier 70 finance gap estimated in early 2010 of \$46 million by \$13 million on a net present value basis. Due to the development timeline for Pier 70, the Plan only assumes that a portion of Pier 70 expenditures will occur by 2022.

#### Major Revenue Bond Proceed Funded Projects

The James R. Herman Cruise Terminal at Pier 27 is the largest of the Port capital projects funded by the Series 2010 Revenue Bond proceeds. In addition, that bond issuance in early 2010 programmed funding for the following projects:

- **Piers 19 and 23:** These piers are located near one another in the northern waterfront. They require repairs and seismic upgrades and are short-term venues for AC34. The Series 2010 revenue bonds included \$3.5 million to repair the Pier 19 roof to enable continued interim leasing of that facility. The Series 2010 revenue bonds also included \$2 million in design funding for further improvements to either Pier 19 or Pier 23.

Port staff envisions a mixed-use development project at either Pier 19 or Pier 23, subject to approval by the Port Commission, the Mayor, and the Board of Supervisors. The remaining pier would offer a unique opportunity to attract a major maritime tenant specializing in harbor services and/or to provide interim leasing revenues to the Port. The BCDC requirement to remove the non-historic Pier 19½ connector shed within ten years after constructing Phase 1 of the Pier 27 Cruise Terminal provides an opportunity to build a new maritime or other public trust consistent facility that meets Secretary's Standards and utilizes the Piers 19-23 water basin.

In 2010, Port staff reported that the cost of a mixed use, adaptive reuse project at either Pier 19 or Pier 23 would be \$85 million, based on certified costs to construct Pier 1 and construction cost inflation since the Pier 1 opening. This project is dependent on developing a financially-feasible mixed use program consisting of interim non-trust and public trust uses, consistent with a proposed interim leasing policy for Port historic structures pending Port Commission consideration. Other funding for the Pier 19 or Pier 23 project would include funding from lease revenues, IFD revenues, federal historic tax credits, private equity and potentially transferable development rights. Such a program would commence after 2014 upon the return of the piers to the Port following their use for the 34<sup>th</sup> America's Cup.

- **Pier 35 Cruise Terminal** – To continue the Port's cruise business, the Port of San Francisco requires at least two cruise terminals. Pier 35 is currently the Port's primary cruise terminal and will continue in service after Pier 27 re-opens. In 2009, Port engineers conducted a facility assessment of Pier 35 and found that urgent repairs are needed to the pier superstructure to keep the facility open. Thus, the Port allocated \$5.5 million of the Series 2010 revenue bond proceeds to



fund immediate facility repairs. Additional substructure repair and seismic improvements are required to keep the facility operational. Because the Pier 35 substructure supports a wastewater treatment outfall operated by the San Francisco Public Utilities Commission, Port staff intends to solicit feedback from Public Utilities Commission staff regarding facility capital upgrade strategies.

- **Pier 90-94 Backlands:** The Port's largest unleased area of Port property is the Pier 90-94 Backlands, an area of unengineered fill not suitable for commercial buildings without the inclusion of costly pile supported foundations. The Series 2010 revenue bonds included \$8 million in funding for new road and utilities to support new leasing plots that are planned for the site. DPW staff is currently developing construction documents. To provide temporary funding for the Pier 70 shore power project, Port staff is proposing to borrow funding from the Backlands project until new debt can be issued to provide long-term funding for the shore power project, expected in summer of 2012. Port staff expects that the project will be advertised for bids sometime in spring of 2012. Construction is expected to be completed in 2013.

Current staff projections estimate \$15.3 million in net annual Port revenues in FY 2011/12. Based on this, consideration of the need for taxable, rather than tax-exempt, debt, revised timing and revenue estimates for development projects underway, rent loss from the transfer of long term development rights at Seawall Lot 330 and Piers 30-32, and development options granted at Piers 26, 28 and 29, the Port can issue approximately \$65 million of additional debt over the next five year period (2012-2017).

The planned uses for the Port's next debt issuance are to: (1) complete Phase I of the Cruise Terminal project and provide financing for Phase II that is recovered partially through a planned passenger facility charge, (2) finance shoreside power at the drydock on Pier 70 to meet the air quality mitigations for the Cruise Terminal project, and (3) finance projects that retain and enhance existing Port revenues as follows (reflects project proceeds, not par amounts):

- 2012 - \$15.5 million for Phase I for the Pier 27 cruise terminal project;
- 2014 - \$25 million for pier utility projects to preserve existing revenues, and for Piers 19-23, or for other revenue generating projects;
- 2014 - \$7.2 million for Phase II of the Pier 27 cruise terminal project, repaid through a passenger facility charge; and
- 2012-21 – approximately \$780,000 annual loan repayment for a \$5.7 million shore power installation at the Pier 70 drydock. A utility surcharge and an incentive payment by the San Francisco Public Utilities Commission are expected to repay the Port for this expenditure over the next ten years, assuming that the Port renews its lease with BAE San Francisco Ship Repair in 2017.





During the next fiscal year, Port staff will evaluate options for expending the remaining \$25 million in unallocated Port revenue bond proceeds. In addition to the Piers 19-23 and Under Pier Utility Infrastructure projects described above, the following projects are possible candidates for funding:

- **Wharf J9 Repairs:** The Port needs to replace the Wharf J-9 seawall that is required to continue the use of the adjoining leased facilities in Fisherman's Wharf. This revenue preservation project would cost approximately \$5 million.
- **Pier 48:** The roof at Pier 48 is deteriorating with weather penetration taking place over certain parts of the shed, which has led to small amounts of dry rot. Good revenue streams and expected future development of the adjacent SWL 337 make this a valuable asset to the Port. The timely replacement of roofs has a strong preventative benefit, further making Pier 48 a good candidate for investment of revenue bond monies. Renewal of roof elements at Pier 48 are currently scheduled for FY 2014, though this could change based on how and when development proceeds at SWL 337.

#### General Obligation Bond Projects

In February 2008 San Francisco voters approved a \$185 million General Obligation bond measure for park and open space improvements throughout the City, of which \$33.5 million has been allocated to fund or partially fund Port open space improvements across the Port's waterfront. Port General Obligation Bond projects include: a promenade at Pier 43½ in Fisherman's Wharf; the Brannan Street Wharf Park in Southbeach; Bayfront Park in the Port's China Basin region; and, in the Port's Southern Waterfront, Crane Cove Park, Warm Water Cove Park, Islais Creek, and an entrance to Heron's Head Park. In FY 2010, using \$3.1 million of the first bond issuance the Port initiated planning and design efforts for these projects. A second issuance procured \$10.7 million for the Pier 43 Bay Trail Link, Blue Greenway and the Bayfront Park shoreline projects. A third issuance for \$11.6 million in March 2011 funded the final phase of the Pier 43 Bay Trail Link and portions of the Brannan Street Wharf and Blue Greenway projects. Port staff members anticipate a fourth and final issuance of \$7 million in FY 2012 that will fund the final phase of the Blue Greenway projects.



**Table 7: Total 2008 G.O. Bond Park Proceeds Allocated to Port Projects**

Port Area	Proposed Park	Project	G.O. Bond Funding
Fisherman's Wharf	Pier 43½ Park	Pier 43½	\$9,000,000
South Beach	Brannan Street Wharf Park	Brannan St. Wharf	3,000,000
China Basin	Bayfront Park	Blue Greenway Project	21,500,000
Southern Waterfront	Crane Cove Park		
	Warm Water Cove Park		
	Islais Creek		
	Heron's Head Park Entrance		
		Total:	\$33,500,000

As a part of the reporting requirements for this Bond, Port staff post updates on each of these projects every month, which may be found at: <http://parkbonds.sfgov.org/2008/>. Additionally, Port staff members, together with Department of Recreation and Parks staff members, report more comprehensively on a quarterly basis to the City's General Obligation Bond Oversight Committee. These reports are also available on the reporting website noted above.

Three of the Port's General Obligation Bond parks, Pier 43 ½ Park, Bayfront Park, and Brannan Street Wharf, began construction in FY 2012. Bayfront Park was completed in fall 2011, and Pier 43 ½ should be finished prior to the start of FY 2013. Brannan Street Wharf is scheduled for completion in June of 2013.

#### Future General Obligation Bonds

*2012 General Obligation Bond for Neighborhood and Waterfront Parks:* Port staff is working with City staff and the Recreation and Parks Department on a potential November 2012 ballot measure for a bond measure to maintain and improve neighborhood and waterfront parks. Of the potential issuance, up to \$40 million would be allocated to waterfront parks.

Of that amount, up to \$20 million would be allocated for open space projects in the Northern Waterfront including Pier 27 Northeast Wharf Plaza and public access improvements and Pier 43 Ferry Arch public access improvements. The remaining \$20 million would be allocated for Blue Greenway parks located in the Southern Waterfront including Crane Cove Park, Warm Water Cove Park and Islais Creek connections. Final allocations of funding for Port parks in the proposed 2012 General Obligation Bond for Neighborhood and Waterfront Parks will be determined by Mayor Ed Lee and the San Francisco Board of Supervisors in consultation with the Capital Planning Committee, the Recreation and Parks Commission and the Port Commission.





## Transferable Development Rights

All of the pier sheds and associated bulkhead buildings on the Port's historic finger piers are collectively recognized as part of the Embarcadero Waterfront Historic District listed on the National Register of Historic Places. Any alteration or historic rehabilitation undertaken for these resources is required under Port Commission policy to comply with U.S. Secretary of the Interior Standards for Historic Rehabilitation (Secretary Standards). The Port has relied on the Federal Historic Tax Credit Program as one essential financing tool to assist in paying for the high cost of rehabilitation to meet the Secretary Standards. However, given the age of the piers and increasing costs of repair, structural and/or seismic interventions necessary to meet current codes, other financing strategies are required to save these historic resources and continue the Port's waterfront revitalization efforts.

The Port has initiated discussions with the Board of Supervisors, Planning Department, San Francisco Architectural Heritage and other preservation stakeholders to consider allowing the City's Transfer of Development Rights (TDR) program to be applied to historic rehabilitation projects defined by the Port Commission that would rehabilitate historic resources in the Embarcadero Historic District. TDR is an historic preservation incentive tool that allows unused development air rights on sites containing recognized historic resources of public value to be sold and applied to other development "receptor" sites. The City's TDR program requirements and provisions are contained in the San Francisco Planning Code and administered by the San Francisco Planning Department. Any historic building that receives benefit from the TDR program would require that the allowable development of that site be reduced by the amount sold through the TDR program.

The Port sees TDR as a significant potential financing tool that could generate significant funding to support historic rehabilitation costs of its historic pier resources, particularly at Piers 26 and 28 in South Beach and at Piers 19-23 in the Northern Waterfront. The current value of TDRs is estimated at \$20 per square foot. Based on this value, Port staff estimates that the upper value of transferable development rights for Piers 19, 23, 26 and 28 could be a total of \$24 million in 2012 dollars.

## Development Projects

The Port's development projects are public-private partnership projects in which a developer enters into a lease of up to 66 years with the Port for property, secures financing and is responsible for project delivery. The Pier 15-17 development project began construction in November 2010. As previously noted, cost estimates included in this Plan include only repair and replacement costs and seismic upgrades the Port would need to conduct in order to continue operating these facilities for current uses. The description below includes enhancements The Exploratorium is making to facilities to change their use; these changes go beyond the repairs, replacements, and seismic





upgrades identified in the Port's 10-Year Capital Plan, and so their full costs are not included below:

- **Piers 15-17:** The Port has executed a Lease Disposition and Development Agreement and long-term Lease with The Exploratorium to renovate Piers 15-17 and relocate The Exploratorium there from its current location at the Palace of Fine Arts. The Exploratorium will lease Pier 15 and develop it for museum and ancillary uses, with the idea of expanding into Pier 17 in later years. Piers 15 and 17 are located in the Northeast Waterfront on The Embarcadero at Green Street. The final development budget submitted before commencing construction in November 2010 is \$205 million funded by The Exploratorium.
- **SWL 337:** Following extensive public input and a Request for Qualifications phase, the Port Commission awarded a Request for Proposals for the development of an approximately 16 acre site immediately south of AT&T Park. The selected development team, SWL 337 Associates, LLC, proposes an urban mix of uses which may include office, rental residential and retail plus more than 5 acres of open space. The developer has stated order of magnitude project costs at \$1 billion with total infrastructure costs estimated at approximately \$200 million. The Port and development team have entered into an Exclusive Negotiation Agreement ("ENA") specifying the obligations of each party. The ENA contemplates commencing public outreach to shape the development program in 2012 and the securing of entitlements in 2013 and 2014.
- **SWL 351:** In 2008, the Port sought development proposals for a two-thirds of an acre site at the Embarcadero and Washington Streets along the Ferry Building Waterfront that is currently used as a surface parking lot. In February 2009, the Port Commission authorized exclusive negotiations with San Francisco Waterfront Partners to combine the site with the adjacent tennis club property for a 3 acre mixed use project with a rebuilt recreation club, condominiums, restaurants, retail and a new public park. The project proposal was refined in part through a public planning process led by the City's Planning Department – The Northeast Embarcadero Study was completed in July 2010. A Term Sheet outlining the refined project and financial terms was approved by the Port Commission in September 2010. Hearing on the Final Environmental Impact Report is pending before the Planning Commission in March 2012, after which the Port Commission will consider transaction documents for the project.
- **Pier 70:** The Port, policy makers and the community have invested substantial time and thought to create the Pier 70 Preferred Master Plan ("Master Plan") to structure the revitalization of this extraordinary area of the waterfront. The Master Plan vision retains the ship repair operations, preserves the historic buildings, creates new waterfront parks, and defines opportunities for new development. On May 11, 2010, the Port Commission endorsed the vision, goals, objectives, and design criteria of the Master Plan and authorized a two-track developer solicitation process to attract private investment to Pier 70 (Resolution 10-27).



The Port issued the first solicitation for rehabilitation of 250,000 square feet of buildings and development of 2.5 million square feet of new buildings on 25 acres at the eastern edge of Pier 70, primarily for job-focused, office and/or biotech purposes. Following a competitive development solicitation process, on July 8, 2011, the Port Commission approved an exclusive negotiation agreement with Forest City Development California, Inc. for the 25 acre site. Forest City is now undertaking extensive due-diligence and planning to develop a project proposal. Paramount in realizing the renaissance of Pier 70 will be an innovative public private partnership including land-based financing, tax increment and other techniques to achieve the public benefits of historic preservation, new parks, and economic development opportunities.

The second solicitation was for the 20th Street Historic Buildings, six buildings on or near 20th Street at Pier 70. These historic resources, some dating to the 1880s, are in need of substantial investment to return to active use, likely through a public/private partnership. On December 2, 2011, the Port received responses to the Request for Proposals (RFP) for the 20th Street Historic Buildings from four parties. Staff is currently reviewing the proposals and anticipates awarding this development opportunity in late February 2012. By summer 2012, the Port will have two development teams actively pursuing investment in Pier 70 to respond to the strengthening real estate market.

### SB 815 New Revenues

In 2007, the State legislature adopted legislation (SB 815) that allows for more varied development on some of the Port's seawall lots, and allows the Port to enter into lease terms of up to 75 years (the prior maximum had been 66 years). The legislation also restricts the use of new revenue growth generated by seawall lot leases to 1) repair and seismic upgrades of historic facilities and 2) construction of open spaces required by the Special Area Plan. SB 815 revenues are *net revenues* of development on the subject seawall lots compared to base rent from current uses of the seawall lots prior to entering development leases.

Seawall Lot 337 is the first development likely to be affected by the new legislation. The net additional annual income associated with SWL 337 development will help the Port to leverage up to, roughly, \$15 million in bond proceeds – significantly lower than the amount of funding projected in prior iterations of the plan. This adjustment is based on the following changes in assumptions from previous calculations:

- The current parking use of Seawall Lot 337 continues to generate increased revenues, and revenues are projected to exceed \$4 million annually by the time the Port enters a lease with SWL 337 Associates, LLC (sometime in 2015 or beyond) for development of Seawall Lot 337;
- This year's plan utilizes more conservative assumptions of 10% issuance costs, an 8% taxable interest rate, a 1.3:1 debt service coverage ratio.





The projected revenue bond monies of \$15 million arising from the proposed development at Seawall Lot 337 are constrained to uses permitted by SB 815 (Senator Carole Migden). These bond proceeds are assigned to historic rehabilitation projects likely to occur in the ten year period.

### Federal Funding

As of the writing of this Plan, the United States Congress continues to operate under a two-year moratorium on congressionally directed spending. However, because this moratorium has a differential impact across funding sources—in particular, the budget for the Army Corps is more affected than others—there is a great deal of speculation that the definition of “earmark” may be revised shortly following 2013 elections. If Congress does undertake any easing of these restrictions, the probability of the Port receiving additional federal funding in the first half of this Plan will greatly increase.

#### *United States Army Corps of Engineers (USACE)*

In 2006, Port staff, working with Mayor Gavin Newsom’s Office, successfully petitioned the office of House of Representatives Speaker Nancy Pelosi to carry a new federal authorization for a number of the Port’s facilities. The legislative vehicle for this authorization is the Water Resources Development Act of 2007 (WRDA 07). Section 5051 of that legislation authorizes USACE, in cooperation with the Port of San Francisco, to seek appropriation of \$25 million for “...repair and removal, as appropriate, of Piers 30-32, 35, 36, 70 (including Wharves 7 and 8), and 80 in San Francisco, California, substantially in accordance with the Port's redevelopment plan.” All funding from this source requires a 2:1 match from the Port. The Port has traditionally been the only City department with projects eligible for funding from the Army Corps.

- **WRDA 07, Pier 36** – The first appropriation the Port sought under the WRDA 07 authority was for funding to remove Pier 36, in preparation of the construction of the Brannan Street Wharf Project. This appropriation was passed into law in early 2010, and the Port supplied the necessary matching funds to the Army Corps in September 2010 using previously appropriated Port capital funds. The Army Corps of engineers expects to complete demolition of this structure by June 30, 2012, and this structure has been removed from the Port’s Capital Plan database for this Report.
- **WRDA 07, Piers 35 and 70** – Following requests from Port staff, Speaker Pelosi’s office agreed to carry an appropriation request for repairs to the Port’s Pier 35 cruise terminal, and for removal of wharves 7 and 8 at Pier 70. Through the committee process, the amount listed in proposed law was reduced to \$5 million for repairs to Pier 35 only. The appropriations bill containing that funding expired, and as things stand today, there is no



expectation that the Port will be able to appropriate this or any other funding authorized under WRDA 07 in the next few years.

- ***Continuing Authorities Program Section 107 (CAP107), Central Basin Dredging*** – The Central Basin is the approach to the Pier 70 Shipyard's primary drydock facility. Dredging of this approach is critical to operations of the shipyard. While the drydock itself is the largest privately operated repair facility of its kind on the west coast of the Americas, the increasingly restrictive siltation in the Central Basin is limiting the number and type of vessels that can access it. In September 2009, the Port requested dredging assistance from the Army Corps under CAP107. Through this program the Army Corps would provide \$3 million in Federal funding, which is 75 percent of the estimated cost of the dredge project, and upon completion, assume responsibility for ongoing maintenance dredging. The Port and its shipyard tenant, BAE systems, would split the required \$1 million match. In summer of 2011, however, after decades of continuous and predictable funding, the Army Corps halted all funding to the CAP107 program, which required USACE San Francisco District staff suspend all work on the Central Basin Dredging project. In February of 2012, without a budget, USACE produced its FY 2012 Work Plan, which included CAP107 funding. While the amount funded is a vastly reduced \$3 million, nation-wide, that the program is, in fact, funded allows USACE staff to resume with Port staff the lengthy administrative process required to ultimately receive new federal dredging assistance.
- ***River and Harbor Act of 1950, Seawall Study*** – The River and Harbor Act is the authorizing vehicle that preceded biennial WRDA authorizations. Like succeeding WRDAs, this law authorizes appropriations for particular projects. In this case a broad authority allows the Port to request funding through the Army Corps budget for \$100,000 to initiate a study of the San Francisco seawall and marginal wharf, as discussed in Section II above. Once this study is complete, Port staff would be in a position to request authorization for funding to repair or reconstruct the seawall, based on the results of the Army Corps study. Appropriations would then follow for actual construction. Given the current political climate, it is impossible to predict when these various legislative vehicles will move forward; for that reason, repairs to the seawall are very roughly estimated to order of magnitude, and are placed out at the very end of this Plan.
- ***WRDA 2014, Seawall Repair and Derelict Piling Removal*** – Though WRDA legislation is intended to be biennial, as a matter of practice, these new authorizations are passed into law much less frequently. As the separation between the last two WRDA authorizations was seven years, this Plan assumes the same, and predicts there will be a WRDA 2014. Based on discussions in 2009 of a possible WRDA 2010, Port staff submitted to House of Representatives Speaker Nancy Pelosi and Senators Barbara Boxer and





Dianne Feinstein language to amend the Port's existing WRDA 07 authorization to increase the amount of funding authorized, and to make eligible appropriations for seawall construction or repair and removal of derelict pilings. This amendment language will be resubmitted when there are calls for a new WRDA.

#### *United States Department of Defense (DOD)*

As noted earlier, new rules governing congressionally directed spending currently prevent the Port from seeking new DOD funding. That said, any relaxation of the new restrictions is likely to impact the Department of Defense budget, which is largely project-specific. Port staff members are hopeful that these changes are coming, but this Plan does not program any funding in the first five years of this Plan.

- ***Demolition of Drydock #1*** – Working through House Speaker Nancy Pelosi's Office, Port staff wrote, and Congress passed into law a \$3 million appropriation for remediation and demolition of Drydock #1. The Department of Defense engaged the salvage arm of the United States Navy to administer the funding, who in turn, contracted with Titan Salvage to do the work. These federal monies will fund just under 50% of project costs, and the Port will expend Port capital funds to complete the project.
- ***Pier 70 Investigation, Hazardous Materials Abatement*** – In 2010, Port staff requested, and House Speaker Nancy Pelosi agreed to carry, an appropriation request for \$3 million to continue the investigation and abatement project at Pier 70 started in 2009. Conversations between Port and Department of Defense staff left Port staff optimistic that this source of funding would be viable for the multi-year abatement effort. The new appropriation rules have changed that, however. Conservatively assuming no loosening of restrictions on congressionally directed spending in the near term, this year's Plan programs additional spending for this project out to years FY 2018-23.

#### *United States Department of Transportation*

Looking toward emerging sources of federal funding, the Port has been included in the City's request for inclusion in the next major transportation reauthorization act. Whether or not the Port's entry ultimately becomes part of new transportation authorizations and is funded, the scale of the potential benefit makes it worth noting. The Port could see funding from this source ranging from \$15-30 million. The candidate projects are:

- ***Cargo Way***: a  $\frac{3}{4}$  of a mile roadway in the southeast section of San Francisco that is a primary access route serving a number of active development and redevelopment projects. The City has developed a plan to rebuild the roadway that would address a number of project goals, including providing direct access to





support the Candlestick Hunters Point Shipyard Redevelopment Area, supporting the Port of San Francisco's maritime eco-industrial park, closing a gap and providing safe pedestrian and bicycle facilities along the Bay area's nine-county Bay Trail and the City's Blue Greenway, and improving Bay water quality by reducing a significant amount of waste water being sent to the City's over-capacity Southeast Water Treatment Facility. In addition, this project is included in the San Francisco Bi-County Transportation projects and the Bayview Transportation Improvements projects.

- **20<sup>th</sup> Street Extension:** 20<sup>th</sup> Street within the Historic Pier 70 Area is the primary access route serving one of the City's most important historic districts. The existing 20<sup>th</sup> Street requires upgrading to accommodate modern transportation and infrastructure. This is needed in order to extend and connect the area into the regional transportation system, providing a connection to a planned 20<sup>th</sup> Street Ferry Terminal and closing a gap in the 9 county regional Baytrail system. An improved 20<sup>th</sup> Street will provide the necessary infrastructure to allow for significant new infill development and the adaptive reuse of some the City's most important historic resources.

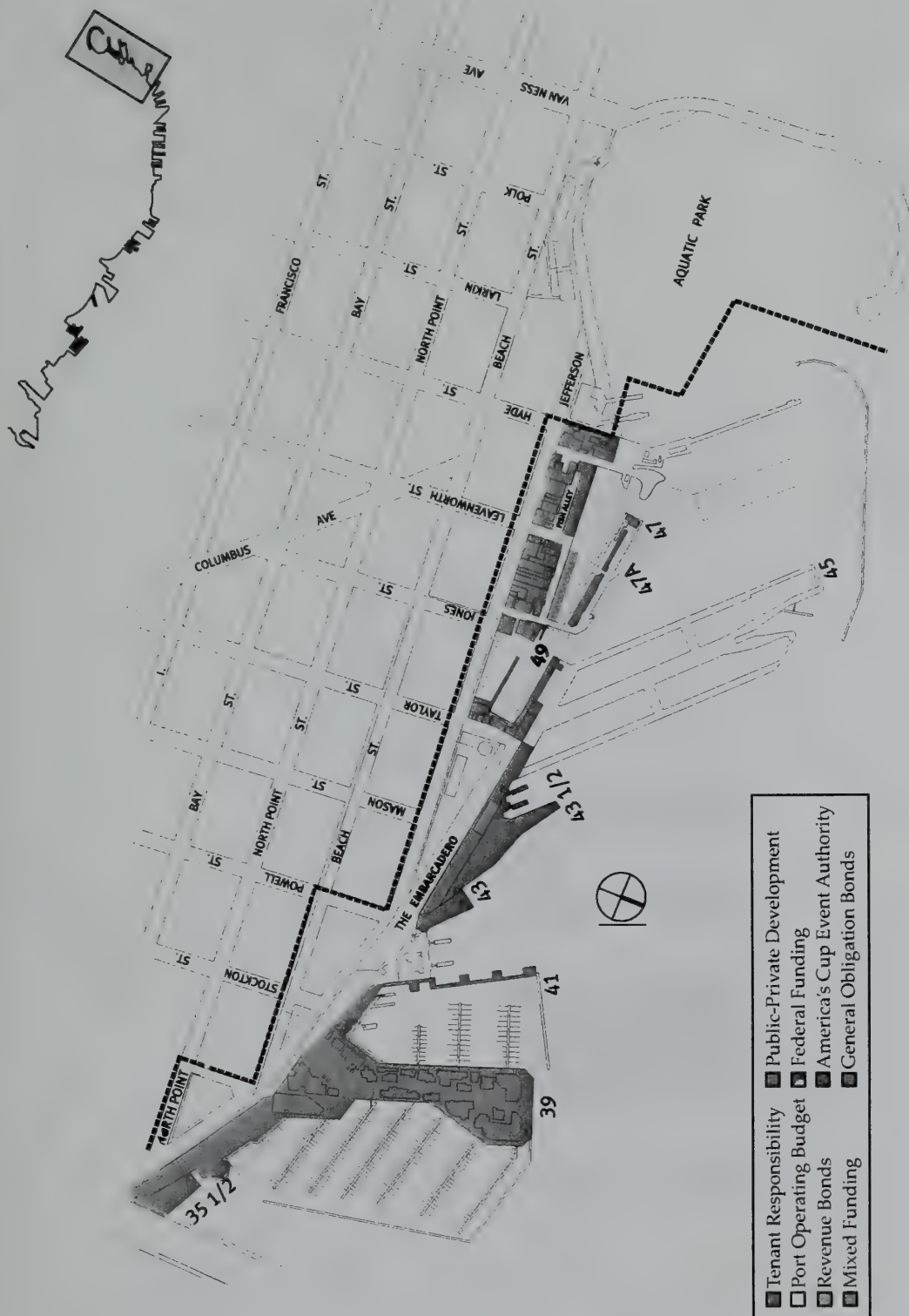
#### Federal Grants

Port staff members have been in continuous pursuit of federal grant funding. In January 2011, FEMA made awards for applications submitted during grant years 2007, 2007 Supplemental, 2008, 2009 and 2010. The Port received the largest federal grant award to date, for four separate projects, totaling \$11 million. These projects will fund a number of different security improvements over the next year, with \$7.8 million going to provide comprehensive security improvements to the Pier 27 Cruise Terminal.

Additionally, Port staff were successful in pursuing a \$3 million award from the U.S. Department of Transportation, Federal Railway Administration (with the top scoring project, nation-wide) to improve reliability and efficiency of rail movement through track and switching upgrades to the Port's primary rail spur, the Quint Street Lead. This award is strategically important for the Port, as it supports the larger goal of (and is a necessary component to) creating a robust export terminal at Pier 96 serviced by six-axle locomotives.



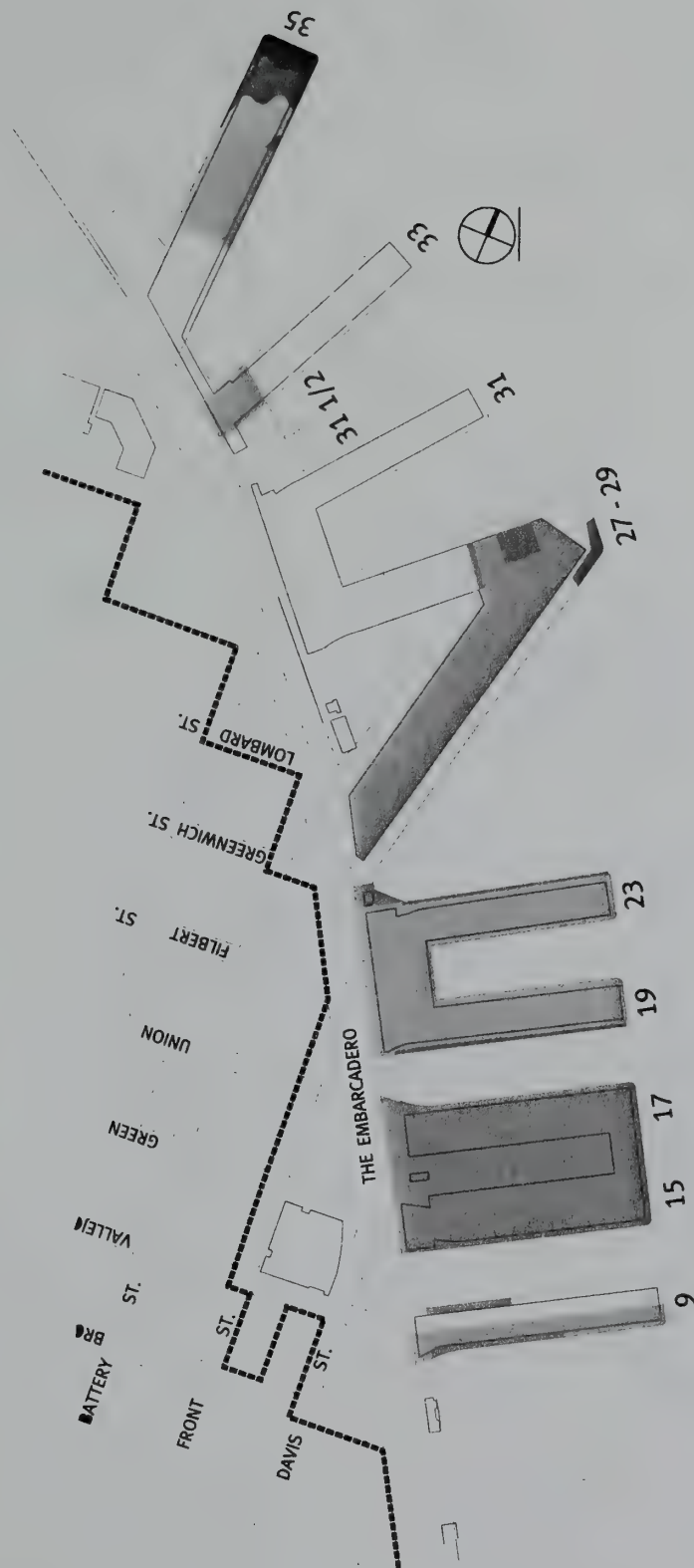
# Fisherman's Wharf







# The Northeast Waterfront

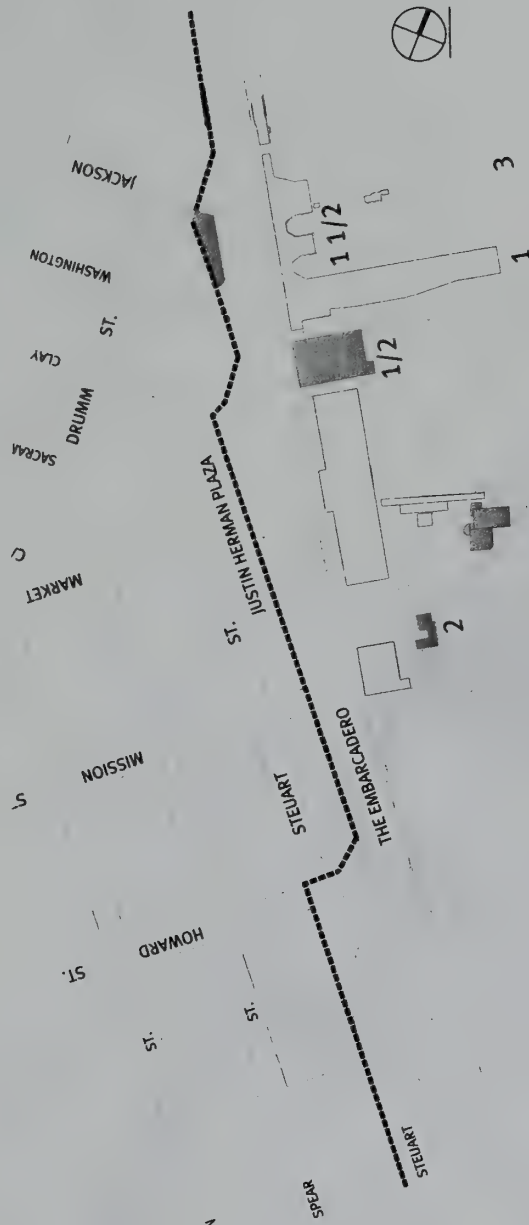
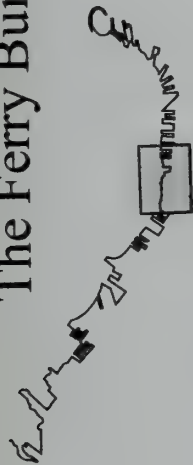


■ Tenant Responsibility	■ Public-Private Development
□ Port Operating Budget	■ Federal Funding
■ Revenue Bonds	■ America's Cup Event Authority
■ Mixed Funding	■ General Obligation Bonds

SAN FRANCISCO BAY



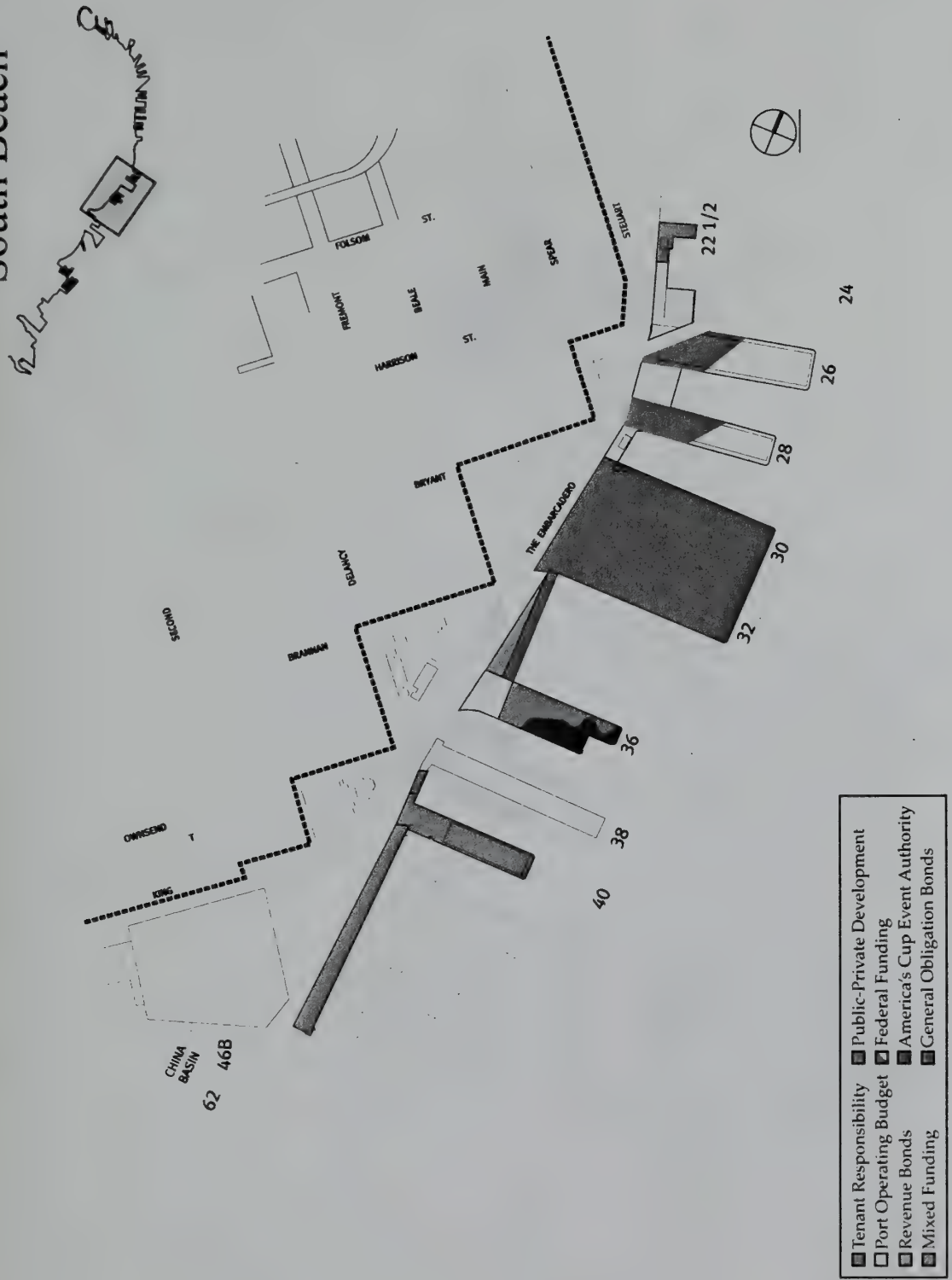
# The Ferry Building Area



■ Tenant Responsibility	■ Public-Private Development
□ Port Operating Budget	■ Federal Funding
■ Revenue Bonds	■ America's Cup Event Authority
■ Mixed Funding	■ General Obligation Bonds

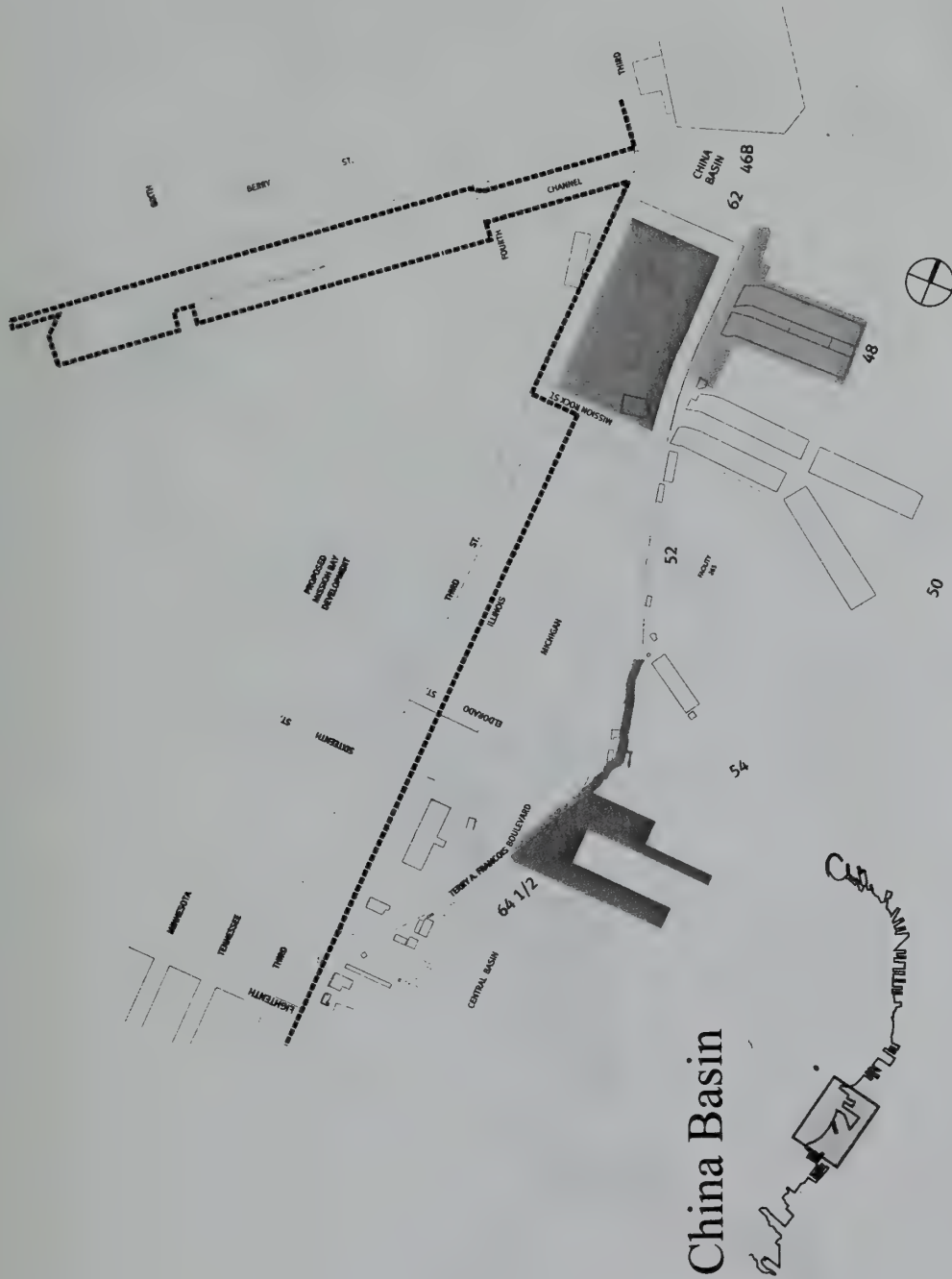


# South Beach











The map displays the San Francisco waterfront area, including the San Francisco Bay and the Cable Car. The map is divided into various zones, each outlined with a different pattern and shaded to represent different funding sources. The legend on the right side identifies the following funding sources:

- Tenant Responsibility (Solid black fill)
- Port Operating Budget (Dashed line outline)
- Revenue Bonds (Dotted line outline)
- Public-Private Development (Diagonal line pattern)
- Federal Funding (Cross-hatch pattern)
- America's Cup Event Authority (Stippled pattern)

The map shows various areas outlined in different patterns and shades of gray, corresponding to these funding sources. The map includes labels for 'SAN FRANCISCO BAY', 'Cable Car', and 'San Francisco Bay'.

- ☐ Tenant Responsibility
- ☐ Port Operating Budget
- ☐ Revenue Bonds
- ☐ Mixed Funding
- ☒ Public-Private Development
- ☒ Federal Funding
- ☒ America's Cup Event Authority
- ☒ General Obligation Bonds





## **VII. Conclusions**

The Port's 10-Year Capital Plan continues to evolve since its inception six years ago. The Port has used the information that the Plan generates to develop and implement its legislative and financing strategies to redevelop the City's waterfront, fulfill its public trust mission, and reconnect the City with its waterfront.

In the historic context of development along the waterfront in support of the Port's mission, no capital improvement stands out more than construction of the new James R. Herman Cruise Terminal at Pier 27. On the eve of the Port's 150<sup>th</sup> anniversary, this long-envisioned, new bedrock to Port operations identifies San Francisco as a city hospitable to the cruise industry and as a custodian of the public trust, facilitating visitors to our great city.

Since the first Plan in 2006, the Port has used this document to guide a total in investment of approximately \$90 million in non-developer funding. The Plan provides a solid framework and confidence-building, holistic view of the Port to interested constituents, as well as to general audiences in the press. The Plan was integral to the Port's issuance of its revenue bonds, series 2010, as well as to the submittal and award of the City's bid to host the 34<sup>th</sup> America's Cup.

As a road-map, the Plan has enabled stronger application for Federal grant funding, and stronger footing for inclusion in future City-sponsored general obligation bonds. As a demonstration of the growing inadequacy of private equity alone to address the Port's capital infrastructure needs, the Plan served a vital role in supporting legislative changes to the Port's ability to develop Pier 70.

This year's FY 2013-22 10-Year Capital Plan has taken on more value as a planning tool than ever before. The continuing process of evaluating capital projects concurrently with the capital budgeting process is viewed widely among Port staff members as an improvement over the prior process, and has resulted in consensus on funding priorities that transcend divisional interests. As a more rigid planning tool with more emphasis on financial planning, the Plan is well-suited to the Port's institutional needs of FY 2013.

As the Port focuses on delivery of facilities for the 34<sup>th</sup> America's Cup, in particular, the new cruise terminal at Pier 27, the Under Pier Utility Infrastructure Program, as well as revenue bond and general obligation bond proceed funded projects over the next five years of the Plan, it is clear that the Port must pivot quickly to repurpose piers that are used for the 34<sup>th</sup> America's Cup. The Port faces a loss of City General Fund subsidy for lost rent soon after the Match is over, and the Port must be prepared to transition these piers quickly back to another use to stabilize its revenues. This challenge also represents an opportunity for the Port to explore new methods of increasing returns to the Harbor Fund from use and/or development of the piers.

As Port staff examined and scored projects for this 2013-22 10-Year Capital Plan, Port staff noted a need to re-examine capital plan scoring criteria to further emphasize revenue



generating projects over those that primarily support the Port's mission. Such a policy shift requires further consultation with the Port Commission, the Capital Planning Committee and the Mayor and the Board of Supervisors. As it has in past years, Port staff will continue to leverage currently available sources of land-based finance (revenue bonds, infrastructure financing districts, community facility districts, transferable development rights) with other sources of public and private funding to gap-finance its projects.

This Plan will continue to evolve, as the long journey ahead of the Port will, from time to time, bring new and unexpected challenges. The waterfront has seen a series of transformative events since the Loma Prieta earthquake in 1989: the removal of the Embarcadero Freeway, the Embarcadero Roadway project, the opening of AT&T Ballpark and the world-class Ferry Building rehabilitation project, among others. Hosting the 34<sup>th</sup> America's Cup will stand with these other achievements as a major inflection point in the transformation of the San Francisco waterfront.

The level of coordination between Port staff, the Mayor's Office and the Board of Supervisors that has unfolded over the last year during preparations for the America's Cup has been particularly welcome. Port staff has enjoyed working as part of a broader City team to deliver on an economic development project of City wide significance. In order to fulfill the promise of the 34<sup>th</sup> America's Cup – and to transition what will follow these exciting sailing events on San Francisco Bay – Port staff looks forward to continuing this cooperation.

As the Port staff moves quickly to realize this newly revealed future of the Port of San Francisco, this Plan will simultaneously ensure that we are protecting our enduring assets.



## APPENDIX A – 10-Year Need Summary, by Facility

### Definitions

**Building Type:** This is the fundamental structure type, where a 'simple' building is a warehouse or garage structure with limited subsystems, a 'basic' building is a standard commercial structure with appropriate subsystems, 'small' buildings are less than 5,000 square feet (and as such, the method for estimating costs for these structures is simplified), and a 'pier' is a pile supported over-water foundation structure (as distinct from a shed building that sit atop a pier).

**Backlog:** The accumulation of all overdue needed repair work, as of year one of this Plan.

**10 Year Renewals:** Costs for replacing building subsystems that will reach the end of their life between year one and year 10 of this Plan.

**One Time Costs:** Costs that are singular in nature, such as a seismic upgrade, as differentiated from the cyclical costs of replacing building subsystems at the end of their lifetime (e.g., many roofs at the Port are 30-year roofs, and as such, are on a 30-year replacement schedule).

### 10 Year Summary by Building

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	Code & Other One-time Costs	Backlog & 10 Year Total
5470H	Blue Shed Bldg (Wharf J-11)	SIMPLE	\$77	\$0	\$0	\$77
1840	Copra Crane	BASIC	\$789	\$0	\$0	\$789
1001	Downtown Ferry Terminal	BASIC	\$669	\$0	\$35,517	\$36,186
0000	Equipment	BASIC	\$0	\$0	\$15,890	\$15,890
2740	Fac. 200 - World Trade Club Restaurant	BASIC	\$298	\$1,752	\$778	\$2,828
2000	Fac. 2000 - Ferry Plaza	PIER	\$558	\$344	\$3,975	\$4,876
2750	Fac. 274-175 - Ferry Building Clock Tower	BASIC	\$0	\$326	\$317	\$643
2750	Fac. 274-275 Ferry Building	BASIC	\$0	\$7,945	\$7,724	\$15,669
2780	Fac. 278 Agriculture Bldg Substructure	PIER	\$4,991	\$0	\$2,736	\$7,727
2780	Fac. 278 Agriculture Building	BASIC	\$3,323	\$254	\$574	\$4,151
2750	Ferry Building: Fac. 274 - 275	PIER	\$0	\$0	\$0	\$0
6020	Freight Yard - Intermodal Container Transfer Facility	Street	\$3,525	\$10,336	\$28,292	\$42,153
4000	Harbor Office at Hyde Street	SMALL	\$0	\$0	\$530	\$530
1980	Herons Head Park	BASIC	\$177	\$0	\$199	\$376
2500	Hyde Street Pier	PIER	\$0	\$0	\$0	\$0
2500	Hyde Street Pier - Storage Buildings (3)	SMALL	\$0	\$146	\$0	\$146
000	Leased Piers	PORT WIDE	\$0	\$41,090	\$0	\$41,090
1010	Pier 1	PIER	\$0	\$77	\$0	\$77
1010	Pier 1 - Office Building	BASIC	\$0	\$3,065	\$0	\$3,065
1015	Pier 1 1/2	PIER	\$0	\$0	\$0	\$0
1015	Pier 1 1/2 - Bulkhead/Shed Building	BASIC	\$0	\$248	\$0	\$248
1005	Pier 1/2	PIER	\$770	\$0	\$2,133	\$2,903
1140	Pier 14 (Public Pier)	PIER	\$0	\$0	\$0	\$0





Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	Code & Other One-time Costs	Backlog & 10 Year Total
1150	Pier 15	PIER	\$15,747	\$0	\$14,615	\$30,362
1150	Pier 15 - Bulkhead/Shed Building (contains trailer	SIMPLE	\$2,852	\$526	\$3,609	\$6,987
1155	Pier 15/17 - Office on Marginal Wharf	SMALL	\$0	\$0	\$0	\$0
1155	Pier 15/17 Valley - demolition	PIER	\$8,389	\$0	\$0	\$8,389
1170	Pier 17	PIER	\$7,659	\$0	\$10,006	\$17,665
1170	Pier 17 - Shed Building	SIMPLE	\$2,950	\$691	\$3,028	\$6,669
1175	Pier 17 1/2	PIER	\$1,367	\$0	\$449	\$1,816
1190	Pier 19	PIER	\$8,358	\$0	\$8,990	\$17,348
1190	Pier 19 - Bulkhead/Shed Building	SIMPLE	\$1,817	\$158	\$2,537	\$4,511
1195	Pier 19 1/2	PIER	\$4,898	\$0	\$2,685	\$7,583
1195	Pier 19 1/2 - Bulkhead/Shed	SIMPLE	\$591	\$72	\$1,135	\$1,799
1020	Pier 2	PIER	\$4,078	\$0	\$1,946	\$6,024
2770	Pier 2 - Sinbads	BASIC	\$317	\$257	\$650	\$1,224
1225	Pier 22 1/2	PIER	\$2,186	\$8	\$946	\$3,140
1225	Pier 22 1/2 - Fire Station	BASIC	\$550	\$0	\$129	\$679
1225	Pier 22 1/2 - Maintenance / Recreation	SMALL	\$0	\$0	\$0	\$0
1230	Pier 23	PIER	\$5,819	\$0	\$9,572	\$15,391
1230	Pier 23 - Bulkhead/Shed Building	SIMPLE	\$1,518	\$214	\$2,602	\$4,335
1235	Pier 23 1/2	PIER	\$2,701	\$0	\$444	\$3,145
1235	Pier 23 1/2 Pier 23 Cafe	SMALL	\$0	\$0	\$0	\$0
1245	Pier 24 1/2	PIER	\$4,159	\$0	\$3,259	\$7,418
1245	Pier 24 1/2 -Bulkhead/Shed Building	SIMPLE	\$569	\$0	\$725	\$1,294
1260	Pier 26	PIER	\$14,218	\$0	\$14,286	\$28,504
1260	Pier 26 - Bulkhead/Shed	SIMPLE	\$1,977	\$1,063	\$3,334	\$6,374
1265	Pier 26 1/2	PIER	\$3,133	\$0	\$2,526	\$5,659
1265	Pier 26.5 - Bulkhead	BASIC	\$1,718	\$838	\$0	\$2,556
1270	Pier 27	PIER	\$477	\$412	\$19,387	\$20,276
1270	Pier 27 - Office Annex	SMALL	\$518	\$0	\$0	\$518
2275	Pier 27 - Office/Admin Building	BASIC	\$925	\$194	\$317	\$1,436
1270	Pier 27 Shed Building	SIMPLE	\$2,906	\$2,357	\$1,300	\$6,563
1280	Pier 28	PIER	\$10,432	\$0	\$12,175	\$22,607
1280	Pier 28 - Bulkhead/Shed Building	SIMPLE	\$1,913	\$421	\$1,995	\$4,329
1285	Pier 28 1/2	PIER	\$622	\$0	\$341	\$963
1285	Pier 28 1/2 - Hildive Restaurant	SMALL	\$0	\$0	\$0	\$0
1290	Pier 29	PIER	\$16,703	\$0	\$0	\$16,703
1290	Pier 29 - *Bulkhead/Shed Building	SIMPLE	\$4,346	\$260	\$4,018	\$8,625
1295	Pier 29 1/2	PIER	\$0	\$0	\$0	\$0
1295	Pier 29 1/2 - Bulkhead Building	SIMPLE	\$1,328	\$88	\$1,362	\$2,778
1030	Pier 3	PIER	\$7,464	\$0	\$5,774	\$13,238
1030	Pier 3 - Bulkhead/Shed Building	BASIC	\$0	\$400	\$0	\$400
1320	Pier 30 and 32	PIER	\$23,827	\$259	\$65,325	\$89,412
1310	Pier 31	PIER	\$10,769	\$0	\$15,329	\$26,098
1310	Pier 31 - Bulkhead/Shed Building	SIMPLE	\$2,770	\$1,274	\$2,466	\$6,509
1315	Pier 31 1/2	PIER	\$3,376	\$0	\$2,775	\$6,151
1325	Pier 32 1/2 Marginal Wharf (Brannon St)	PIER	\$0	\$0	\$30,015	\$30,015
1330	Pier 33	PIER	\$5,989	\$0	\$9,983	\$15,972



Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	Code & Other One-time Costs	Backlog & 10 Year Total
1330	Pier 33 - Bulkhead/Shed Building	SIMPLE	\$1,809	\$1,389	\$2,307	\$5,505
1335	Pier 33 1/2	PIER	\$0	\$0	\$436	\$436
1335	Pier 33 1/2 - Bulkhead Building	BASIC	\$1,549	\$101	\$0	\$1,650
1345	Pier 34 1/2 Marginal Wharf	PIER	\$0	\$0	\$0	\$0
1350	Pier 35 - Bulkhead/Shed Building	BASIC	\$3,392	\$13,380	\$4,730	\$21,502
1355	Pier 35 1/2	PIER	\$0	\$0	\$4,757	\$4,757
1350	Pier 35 Cruise Terminal	PIER	\$13,807	\$241	\$16,239	\$30,286
1360	Pier 36 (to be demolished)	PIER	\$128	\$0	\$0	\$128
1360	Pier 36 - Bulkhead Building/Shed	SIMPLE	\$969	\$0	\$0	\$969
1380	Pier 38	PIER	\$33,115	\$0	\$14,911	\$48,026
1380	Pier 38 - Bulkhead/Shed Building	SIMPLE	\$280	\$1,445	\$2,879	\$4,603
1385	Pier 38 1/2	PIER	\$578	\$0	\$475	\$1,053
1390	Pier 39	PIER	\$0	\$0	\$0	\$0
1390	Pier 39 - Retail Shops	BASIC	\$3,819	\$11,265	\$6,779	\$21,863
1390	Pier 39 - Underwater World	BASIC	\$276	\$752	\$0	\$1,028
1395	Pier 39 1/2 Marginal Wharf	PIER	\$0	\$0	\$0	\$0
1400	Pier 40	PIER	\$19,439	\$0	\$9,587	\$29,026
1400	Pier 40 - Shed Building	SIMPLE	\$242	\$162	\$1,191	\$1,594
1405	Pier 40 1/2 (S Beach Harbor Wharf)	PIER	\$2,552	\$0	\$420	\$2,972
1405	Pier 40 1/2 - Java House	SMALL	\$0	\$0	\$0	\$0
1400	Pier 40 Restaurant & Robert Steck Chandelery	BASIC	\$49	\$187	\$207	\$443
1410	Pier 41	PIER	\$0	\$0	\$2,973	\$2,973
1415	Pier 41 1/2	PIER	\$0	\$0	\$0	\$0
1415	Pier 41 1/2 - Blue&Gold Bldg.	BASIC	\$0	\$686	\$383	\$1,069
1430	Pier 43	PIER	\$103	\$0	\$279	\$382
1430	Pier 43 - Arch	SMALL	\$0	\$219	\$0	\$219
1435	Pier 43 1/2	PIER	\$2,017	\$0	\$14,346	\$16,363
1435	Pier 43 1/2 - Franciscan Restaurant	BASIC	\$581	\$616	\$371	\$1,568
1435	Pier 43 1/2 - Red & White Tours	SMALL	\$0	\$0	\$0	\$0
1450	Pier 45	PIER	\$1,321	\$2,300	\$160	\$3,781
1450	Pier 45 - Shed A	SIMPLE	\$470	\$1,274	\$2,409	\$4,153
1450	Pier 45 - Shed B	SIMPLE	\$473	\$1,281	\$1,888	\$3,642
1450	Pier 45 - Shed C	SIMPLE	\$731	\$156	\$5,126	\$6,012
1450	Pier 45 - Shed D	SIMPLE	\$482	\$1,102	\$1,706	\$3,290
1461	Pier 46B China Basin Ferry Terminal	PIER	\$844	\$0	\$9,376	\$10,220
1470	Pier 47 - Guardinos Storage Bldg	SMALL	\$0	\$56	\$0	\$56
1470	Pier 47 - Scoma / Fish Prep Bldg	SMALL	\$0	\$52	\$0	\$52
1470	Pier 47 - Scoma Storage Bldg	SMALL	\$0	\$91	\$0	\$91
1470	Pier 47 - Scomas Restaurant	BASIC	\$341	\$1,075	\$321	\$1,737
1470	Pier 47 - Scomas Storage Shed	SMALL	\$0	\$20	\$0	\$20
1470	Pier 47 - Wharf J6, J7, J8	PIER	\$1,857	\$753	\$4,020	\$6,629
1470	Pier 47 WF Albert Seafoods Proc Bldg	SIMPLE	\$126	\$81	\$169	\$376
1480	Pier 48	PIER	\$7,722	\$1,489	\$1,407	\$10,619
1480	Pier 48 - Shed A	SIMPLE	\$1,585	\$381	\$0	\$1,966
1480	Pier 48 - Shed B	SIMPLE	\$1,628	\$391	\$0	\$2,019
1485	Pier 48 1/2 - Jellys restaurant	SMALL	\$0	\$0	\$0	\$0





Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	Code & Other One-time Costs	Backlog & 10 Year Total
1490	Pier 49 - Aliotos Restaurant (Wharf J-1)	BASIC	\$0	\$375	\$313	\$688
1490	Pier 49 - Fisherman's Grotto No. 9 (Wharf J-1)	BASIC	\$0	\$582	\$486	\$1,068
1490	Pier 49 - Fisherman's Memorial Chapel	SMALL	\$0	\$146	\$0	\$146
1490	Pier 49 - Guardinos (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0
1490	Pier 49 - Sabella & Latorre (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0
1490	Pier 49 - Tarantinos Restaurant (Wharf J-1)	BASIC	\$0	\$227	\$185	\$412
1490	Pier 49 - The Crab Station (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0
1490	Pier 49 Nicks Lighthouse (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0
1050	Pier 5	PIER	\$0	\$0	\$0	\$0
1055	Pier 5 1/2 - Bulkhead Building	BASIC	\$0	\$293	\$0	\$293
1500	Pier 50	PIER	\$28,328	\$1,737	\$18,353	\$48,419
1500	Pier 50 - Shed A	SIMPLE	\$2,092	\$336	\$1,929	\$4,357
1500	Pier 50 - Shed B	SIMPLE	\$1,085	\$1,087	\$1,956	\$4,128
1500	Pier 50 - Shed C	SIMPLE	\$1,307	\$1,436	\$2,350	\$5,093
1500	Pier 50 - Shed D	SIMPLE	\$1,256	\$909	\$3,005	\$5,170
1505	Pier 50 1/2	PIER	\$0	\$0	\$346	\$346
2505	Pier 50 Administration Building	BASIC	\$1,682	\$576	\$504	\$2,762
1520	Pier 52	PIER	\$0	\$0	\$3,975	\$3,975
1540	Pier 54	PIER	\$30,117	\$0	\$8,254	\$38,371
1540	Pier 54 - Office Bldg	SMALL	\$487	\$0	\$0	\$487
1540	Pier 54 - Oil Shed	SMALL	\$116	\$0	\$0	\$116
1540	Pier 54 - Shed Building	SIMPLE	\$382	\$86	\$638	\$1,106
1540	Pier 54 - Storage Shed	SMALL	\$0	\$39	\$0	\$39
1600	Pier 60 - Wharf - wood piles	PIER	\$1,072	\$0	\$464	\$1,536
1600	Pier 60 - Wharf Carmen's Restaurant	SMALL	\$126	\$0	\$0	\$126
1640	Pier 64	PIER	\$2,650	\$0	\$1,719	\$4,369
1645	Pier 64 1/2 Kelly Mission Rock Resort Restnt	BASIC	\$0	\$179	\$0	\$179
1680	Pier 68	PIER	\$6,973	\$37,956	\$25,322	\$70,251
1075	Pier 7 - The Waterfront Restaurant	BASIC	\$281	\$227	\$157	\$665
1075	Pier 7 1/2	PIER	\$0	\$0	\$0	\$0
1070	Pier 7 Public Pier	PIER	\$0	\$0	\$0	\$0
1700	Pier 70	PIER	\$48,746	\$0	\$69,749	\$118,495
1680	Pier 70 - Pier 68 - Bathrooms Bldg. #141	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Beth Street Substation #2, Bldg. #50	SMALL	\$87	\$0	\$0	\$87
1680	Pier 70 - Pier 68 - Beth Street Warehouse Bldg. #30	SMALL	\$0	\$683	\$0	\$683
1680	Pier 70 - Pier 68 - Blast Shed Bldg. #150	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Boiler/Steam Power House - #103	SMALL	\$0	\$0	\$212	\$212
1680	Pier 70 - Pier 68 - Building #149	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Cable/Electric Shop - Bldg.#38	SIMPLE	\$771	\$0	\$5,900	\$6,671
1680	Pier 70 - Pier 68 - Checkhouse #1, Bldg. #122	SMALL	\$0	\$0	\$173	\$173
1680	Pier 70 - Pier 68 - Checkhouse #2, Bldg. #123	SMALL	\$0	\$0	\$84	\$84



Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	Code & Other One-time Costs	Backlog & 10 Year Total
1680	Pier 70 - Pier 68 - Equipment Building #36	SIMPLE	\$281	\$42	\$2,406	\$2,729
1680	Pier 70 - Pier 68 - Machine Shop - Bldg. #105	SIMPLE	\$474	\$43	\$3,877	\$4,394
1680	Pier 70 - Pier 68 - near checkhouse #2, Building #51	SMALL	\$58	\$0	\$0	\$58
1680	Pier 70 - Pier 68 - Office Bldg (#127)	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Office Bldg Annex to #101, Bldg. #40	BASIC	\$1,376	\$0	\$306	\$1,682
1680	Pier 70 - Pier 68 - Office Building #101	BASIC	\$5,794	\$0	\$26,981	\$32,775
1680	Pier 70 - Pier 68 - Office Building #104	BASIC	\$4,022	\$0	\$18,287	\$22,309
1680	Pier 70 - Pier 68 - Office/Warehouse Bldg.- Bldg #111	BASIC	\$5,633	\$1,274	\$10,298	\$17,205
1680	Pier 70 - Pier 68 - Ops. Bldg #102	BASIC	\$789	\$0	\$877	\$1,666
1680	Pier 70 - Pier 68 - Pipe Rack, Bldg. #120	SMALL	\$0	\$0	\$45	\$45
1680	Pier 70 - Pier 68 - Pipe Storage Bldg #107	SMALL	\$0	\$210	\$0	\$210
1680	Pier 70 - Pier 68 - Sheet Metal/Tools Bldg #109	SIMPLE	\$1,112	\$707	\$494	\$2,313
1680	Pier 70 - Pier 68 - Shipwright Building -#108	BASIC	\$5,692	\$0	\$10,511	\$16,203
1680	Pier 70 - Pier 68 - Steel Shop Office (bldg #121)	SMALL	\$0	\$90	\$0	\$90
1680	Pier 70 - Pier 68 - Substation #4 (bldg #58)	SMALL	\$0	\$0	\$138	\$138
1680	Pier 70 - Pier 68 - Substation #6, Bldg. #64	SMALL	\$292	\$0	\$989	\$1,281
1680	Pier 70 - Pier 68 - Substation #7 (bldg #68)	SMALL	\$0	\$210	\$77	\$287
1680	Pier 70 - Pier 68 - Warehouse & 6-ton crane, Bldg. #49	SIMPLE	\$89	\$122	\$24	\$235
1680	Pier 70 - Pier 68 - Yard Washroom, Bldg. #110	SMALL	\$572	\$0	\$748	\$1,320
1680	Pier 70 - Pier 68 - Yard Washroom, Bldg. #119	SMALL	\$210	\$0	\$0	\$210
3450	Pier 70 - SWL 345 - Kneass Boatworks, Main Office/boat storage	SIMPLE	\$0	\$0	\$1,640	\$1,640
3450	Pier 70 - SWL 345 - Kneass, Pier 66 Boatyard Office	SMALL	\$292	\$0	\$0	\$292
3490	Pier 70 - SWL 349 - Auto Yard Shop Bldg #19	SIMPLE	\$186	\$0	\$1,094	\$1,280
3490	Pier 70 - SWL 349 - Beth Street Stress Relieving, Bldg. #16	SIMPLE	\$262	\$0	\$1,218	\$1,480
3490	Pier 70 - SWL 349 - Beth Street Warehouse, Bldg. #32	SIMPLE	\$338	\$0	\$1,500	\$1,838
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #24	SMALL	\$500	\$0	\$695	\$1,195
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #25	SMALL	\$0	\$217	\$53	\$270
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #29	SMALL	\$539	\$0	\$826	\$1,365
3490	Pier 70 - SWL 349 - Brass Foundry, Bldg. #115	SIMPLE	\$508	\$0	\$5,422	\$5,930
3490	Pier 70 - SWL 349 - Foundry, Bldg. #116	SIMPLE	\$508	\$0	\$5,422	\$5,930
3490	Pier 70 - SWL 349 - Test Room, Bldg. #23	SMALL	\$635	\$0	\$247	\$882
3490	Pier 70 - SWL 349 - UIW Machine Shop, Bldg. #114	SIMPLE	\$254	\$0	\$2,472	\$2,726





Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	Code & Other One-time Costs	Backlog & 10 Year Total
3490	Pier 70 - SWL 349 Building #6 (condemned)	SIMPLE	\$1,087	\$0	\$6,738	\$7,825
3490	Pier 70 - SWL 349 Equipment Bldg - Bldg #14	SIMPLE	\$455	\$0	\$5,196	\$5,651
3490	Pier 70 - SWL 349 Heavy Machine Shop - Bldg #113	SIMPLE	\$2,429	\$0	\$28,616	\$31,045
3490	Pier 70 - SWL 349 Office Building - Bldg. #11 Noonan	BASIC	\$3,723	\$489	\$7,992	\$12,204
3490	Pier 70 - SWL 349 SF Shipyard Training Bldg 117	SIMPLE	\$638	\$0	\$10,111	\$10,749
3490	Pier 70 - SWL 349 Shop Building - Bldg #21	SIMPLE	\$236	\$0	\$3,576	\$3,812
3490	Pier 70 - SWL 349 Traffic Department Bldg. #12 & #15	BASIC	\$7,816	\$0	\$16,962	\$24,778
3490	Pier 70 - SWL 349 Traffic Dept. Shed - Bldg #66	SIMPLE	\$646	\$0	\$572	\$1,218
3490	Pier 70 - SWL 349 Warehouse - Bldg.2	SIMPLE	\$2,460	\$0	\$19,679	\$22,139
1800	Pier 80	PIER	\$8,839	\$2,584	\$59,705	\$71,128
1800	Pier 80 - Entry Canopy	SIMPLE	\$237	\$0	\$286	\$523
1800	Pier 80 - Gear & Maintenance Building	SIMPLE	\$952	\$85	\$1,010	\$2,048
1800	Pier 80 - Office Bldg #2	SMALL	\$0	\$0	\$0	\$0
1800	Pier 80 - Service Building	SIMPLE	\$1,181	\$1,240	\$802	\$3,222
1800	Pier 80 - Shed A	SIMPLE	\$4,006	\$1,962	\$22,633	\$28,601
1800	Pier 80 - Shed D	SIMPLE	\$2,897	\$1,233	\$4,377	\$8,506
1800	Pier 80 - Terminal Office	SMALL	\$259	\$0	\$0	\$259
2800	Pier 80 Administration Building	BASIC	\$2,479	\$2,774	\$2,033	\$7,287
1800	Pier 80 Office Bldg #1	SMALL	\$0	\$0	\$0	\$0
1090	Pier 9	PIER	\$11,347	\$0	\$9,325	\$20,672
1095	Pier 9 1/2	PIER	\$735	\$0	\$605	\$1,340
1090	Pier 9 Bulkhead/Shed Building	BASIC	\$8,436	\$3,120	\$3,329	\$14,885
1900	Pier 90	PIER	\$10,335	\$0	\$0	\$10,335
1900	Pier 90 - Fire Department Building	BASIC	\$72	\$48	\$162	\$282
1900	Pier 90 - Maintenance Bldg	SMALL	\$0	\$92	\$0	\$92
1900	Pier 90 - Old Powerhouse	SMALL	\$0	\$0	\$0	\$0
1900	Pier 90 - Storage Bldg	SMALL	\$0	\$34	\$0	\$34
1900	Pier 90 - Truck Pits	SMALL	\$0	\$95	\$0	\$95
1920	Pier 92	PIER	\$3,948	\$0	\$0	\$3,948
1940	Pier 94 - 96 wharf area	PIER	\$4,916	\$0	\$14,674	\$19,590
1940	Pier 94 - Wharfside Building	SMALL	\$0	\$0	\$0	\$0
1960	Pier 96 - Administration Building	BASIC	\$584	\$563	\$402	\$1,549
1960	Pier 96 - Bounty Restaurant	BASIC	\$770	\$111	\$152	\$1,033
1960	Pier 96 - Entry Canopy	SIMPLE	\$182	\$0	\$259	\$441
1960	Pier 96 - Exit Canopy	SIMPLE	\$108	\$20	\$153	\$281
1960	Pier 96 - Gatehouse Bldg	SMALL	\$0	\$212	\$0	\$212
1960	Pier 96 - Maintenance Building	BASIC	\$1,356	\$722	\$784	\$2,862
1960	Pier 96 - Office/Restroom	SMALL	\$0	\$125	\$0	\$125
1960	Pier 96 - Recycling/LASH Terminal	SIMPLE	\$2,312	\$4,692	\$4,828	\$11,832
1960	Pier 96 - Storage	SMALL	\$0	\$140	\$0	\$140
1960	Pier 96 - Truck Scales	SMALL	\$0	\$36	\$0	\$36
0000	Port-wide Projects	Port Wide	\$0	\$285,723	\$124,700	\$410,423





Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	Code & Other One-time Costs	Backlog & 10 Year Total
4036	Street - 20th east of Illinois	STREET	\$422	\$0	\$0	\$422
4038	Street - 24th from Michigan to Maryland	STREET	\$587	\$0	\$525	\$1,112
4043	Street - Amador and extension	STREET	\$1,864	\$0	\$18,415	\$20,279
4022	Street - Broadway btw Embarcadero & Vallejo	STREET	\$464	\$0	\$66	\$530
4008	Street - Embarcadero from Taylor to Powell	STREET	\$0	\$0	\$0	\$0
4020	Street - Green between Davis and Front	STREET	\$154	\$0	\$0	\$154
3030	Street - Hyde Alley, Fish Alley	STREET	\$272	\$0	\$199	\$471
4001	Street - Hyde N of Jefferson to Hyde St Pier	STREET	\$220	\$0	\$0	\$220
4004	Street - Jefferson btw Jones and Leavenworth	STREET	\$114	\$0	\$0	\$114
4002	Street - Jefferson from Leavenworth to Hyde	STREET	\$119	\$0	\$890	\$1,009
4017	Street - Lombard btw Sansome and Embarcadero	STREET	\$164	\$0	\$0	\$164
4040	Street - Marin east of Michigan	STREET	\$154	\$0	\$530	\$684
3020	Street - Pier 47, Fish Alley, Al Scoma Way	STREET	\$367	\$0	\$0	\$367
4003	Street - R.H. Dana Dr. (Leavenworth) N of Jefferson	STREET	\$136	\$0	\$0	\$136
4033	Street - T. Francois along China Basin	STREET	\$462	\$0	\$0	\$462
4034	Street - T. Francois btw China Basin and Mission R	STREET	\$4,838	\$0	\$0	\$4,838
4006	Street - Taylor Street btw. Jefferson and Embarcadero	STREET	\$281	\$0	\$265	\$546
4041	Street - TN, IN, MN btw Tulare and Marin	STREET	\$809	\$0	\$0	\$809
3010	SWL 301 - Andre Boudin Pavilion	SMALL	\$0	\$0	\$1,590	\$1,590
3010	SWL 301 - Andre Boudin Restaurant	BASIC	\$0	\$146	\$0	\$146
3020	SWL 302 - Alioto Fish Co.	BASIC	\$0	\$480	\$410	\$890
3020	SWL 302 - Castagnola/Storage Bldg	SMALL	\$0	\$0	\$0	\$0
3020	SWL 302 - Crab Boat Owners Asso.	BASIC	\$356	\$0	\$70	\$426
3020	SWL 302 - Firewood Cafe	BASIC	\$0	\$121	\$103	\$224
3020	SWL 302 - Pompeis Grotto	BASIC	\$0	\$285	\$107	\$392
3020	SWL 302 - Port Harbor Office	SMALL	\$0	\$55	\$0	\$55
3020	SWL 302 - Scomas (Smoke House)	BASIC	\$0	\$70	\$124	\$194
3020	SWL 302 - United Shellfish Warehouse	SMALL	\$0	\$168	\$0	\$168
3030	SWL 302 Cal Shell Fish Shed	SMALL	\$0	\$0	\$0	\$0
3020	SWL 302 Castagnola Rest.	BASIC	\$0	\$459	\$383	\$842
3020	SWL 302 Coast Marine Supply Mat. Storage Bldg	SIMPLE	\$0	\$191	\$541	\$732
3020	SWL 302 Costal Marine Retail Space	SMALL	\$0	\$0	\$0	\$0
3020	SWL 302 D&G Co. d.b.a. Lou Blues	SMALL	\$0	\$537	\$0	\$537
3020	SWL 302 Franks Fisherman Supply	BASIC	\$89	\$260	\$212	\$561
3020	SWL 302 Substructure (Wharf J-9)	PIER	\$4,780	\$356	\$1,810	\$6,947
3020	SWL 302 United Shellfish Processing	SIMPLE	\$0	\$16	\$44	\$60
3030	SWL 303 - Alioto Fish Co,	BASIC	\$0	\$341	\$190	\$531
3030	SWL 303 - Cal Shell Fish	BASIC	\$0	\$288	\$126	\$414
3030	SWL 303 - Cioppinos/(Hoppe)	BASIC	\$0	\$601	\$296	\$897
3030	SWL 303 - Franceschis Restaurant	BASIC	\$0	\$118	\$96	\$214
3030	SWL 303 - GP Resources	SMALL	\$0	\$30	\$0	\$30



Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	Code & Other One-time Costs	Backlog & 10 Year Total
3030	SWL 303 - SP Tarantino/Martell Ins	SMALL	\$0	\$0	\$0	\$0
3030	SWL 303 - The Bay Company, Hoppe, Arthur N.	BASIC	\$0	\$265	\$216	\$481
3110	SWL 311 Pier 39 Garage	SIMPLE	\$0	\$795	\$6,270	\$7,065
3130	SWL 313 Embarcadero Triangle Lot Assn.	SIMPLE	\$0	\$628	\$2,973	\$3,601
3150	SWL 315 Office Building (HHC Investment limited)	BASIC	\$0	\$4,470	\$3,425	\$7,895
3150	SWL 315 Parking Structure	SIMPLE	\$0	\$527	\$3,984	\$4,511
3160	SWL 316 Houston's Restaurant	BASIC	\$0	\$511	\$326	\$837
3170	SWL 317 Office Building	BASIC	\$0	\$7,236	\$3,758	\$10,994
3180	SWL 318 Roundhouse One	BASIC	\$323	\$813	\$521	\$1,657
3180	SWL 318 Roundhouse Two	BASIC	\$1,309	\$969	\$708	\$2,987
3180	SWL 318 Sandhouse	SMALL	\$0	\$210	\$0	\$210
3190	SWL 319 Fog City Diner	BASIC	\$0	\$308	\$120	\$428
3220	SWL 322 ABC TV	BASIC	\$0	\$9,725	\$4,389	\$14,114
3300	SWL 330 Restaurant and Apts. at Townsend	BASIC	\$0	\$1,837	\$1,941	\$3,778
3310	SWL 331 & 332 Delancey Street Foundation	BASIC	\$0	\$4,121	\$4,244	\$8,365
3430	SWL 343 Bluepeter Building	SIMPLE	\$403	\$41	\$502	\$945
3450	SWL 345 - SF Boat Works Office/Shop	BASIC	\$181	\$260	\$200	\$642
3450	SWL 345 - SF Boat Works Storage/The Ramp	SIMPLE	\$154	\$0	\$166	\$320
3520	SWL 352 - Backlands Redevelopment	BASIC	\$2,420	\$0	\$0	\$2,420
1620	Third Street Bridge House	SMALL	\$0	\$0	\$0	\$0
5470H	Wharf J-11	PIER	\$431	\$0	\$0	\$431
5470	Wharf J-4	PIER	\$1,039	\$84	\$0	\$1,123
1490	Wharfs J-1 and J-3 (Pier 49)	PIER	\$0	\$798	\$3,069	\$3,867
<b>PORT TOTAL</b>			<b>\$575,727</b>	<b>\$510,031</b>	<b>\$1,124,738</b>	<b>\$2,210,495</b>







## MEMORANDUM

February 23, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer *M Moyer*  
Executive Director

**SUBJECT:** Port Policy for Funding Capital Budget Expenditures

**DIRECTOR'S RECOMMENDATION:** Informational Item – No Action Required

The purpose of this item is to provide an overview of the Port's proposed policy to fund or designate annual operating revenues for Capital Budget expenditures and to allow for Port Commission and public feedback. The Port Commission will be asked to approve the proposed Policy at its March 14, 2012 meeting.

### Background

The Port was incorporated by the State of California in 1863 as a self-supporting enterprise. Its mission is to support maritime commerce, recreation, industrial, public access and commercial activities. In the ensuing 149 years, the Port has continued to support its mission and operations through self generated revenues. Through the early 1900s, the State built and/or maintained its infrastructure with funding from operating revenues and later proceeds of statewide general obligation bonds.

In 1969, the State returned the Port's assets (including 54 piers) to City governance replete with deferred maintenance and with an expectation that the Port would develop its portfolio to raise funds to both make needed repairs and to extend the useful life and beneficial activation of its assets. In the years that followed, several critical developments moved forward, primarily in the Fisherman's Wharf and cargo handling areas of the waterfront. All such projects relied heavily on funding from the Port's private partners as no City or Port funds were available in the amounts needed for these investments. Simultaneously, however, 15 piers were lost to disrepair and removed from the portfolio completely, with a 16<sup>th</sup> (Pier 36) under demolition today.

**THIS PRINT COVERS CALENDAR ITEM NO. 9B**



In 1990, the voters of San Francisco enacted a moratorium on development which was finally lifted in 1997 by adoption of the Port's Waterfront Land Use Plan (Waterfront Plan). The Waterfront Plan carefully laid out a plan for developing the Port's sub-sectors in accordance with the Port's and the City's evolving needs. In 2009, more than half of the Port's piers were placed on the National Register of Historic Places thereby formally expanding the Port's mission to include historic preservation. In the 15 years since adoption of the Waterfront Plan, the Port has successfully executed partnerships with developers who have assisted in rehabilitating, repurposing and reactivating 8 of the remaining piers with a 9<sup>th</sup> project at Piers 15-17 underway by The Exploratorium. Some of these projects have been able to retain important maritime uses at the Port, but all have relied heavily on non-maritime uses to fund the extraordinary project costs. Not all of the Port's efforts have been successful. Proposed projects have failed twice at Piers 30-32, once at Pier 26 and once at Piers 27-31.

In 2006, the Port catalogued its outstanding deferred maintenance and adopted its first 10-Year Capital Plan (Capital Plan). The Capital Plan assesses the minimum expenditure necessary, in current dollars, to maintain all of the Port's piers for their current uses. The FY 2013-2022 update of the Capital Plan estimates those costs to be \$2.2 billion. Subsequent to creating the Capital Plan, the Port also devised a Plan of Finance that identifies all currently known sources to address Capital Plan costs. In the past 7 years, the Port has pursued and/or secured alternative funding mechanisms ranging from inclusion in citywide general obligation bond programs and infrastructure financing districts to historic tax credits, etc. These tools have been required both to give the Port more development flexibility to preserve maritime uses and to address the growing costs of such projects and funding gaps.

### **The Biennial Capital Budget**

The Capital Budget has historically been too low to adequately address capital needs and trends indicate this budget could decline further. The biennial Capital Budget is funded primarily from fund balance, which is derived from prior year operating surplus.<sup>1</sup> Over the last ten years (FY 2002/03 through FY 2011/12), the average annual appropriation for the Capital Budget has been \$8.3 million.<sup>2</sup> The limited size of the annual capital budgets combined with the deferred backlog has meant that the capital budgets have primarily funded dredging, some deferred maintenance and emergency needs, and have not addressed renewal needs.

Port staff recognizes that public/private partnerships and funding mechanisms that do not rely on the Harbor Fund (the Port's Operating Fund) for repayment are keys to financing the Capital Plan and accomplishing the vision expressed in the Waterfront Land Use Plan. That said, Port staff also understands that while the Port's operating revenues should support the renewal costs of Port assets which are not tenant or leasehold responsibility, constrained sources has kept this from being achievable.

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<sup>1</sup> The Transbay cable payment of \$550,000 also funds capital improvements in the Southern Waterfront.

<sup>2</sup> The range during this 10 year period is from \$5.9 million in FY 2002/03 to \$15.4 million in FY 2011/12; however the amounts do not reflect a natural growth over the period but instead show a wide variation in the allocation from year to year.





Without an adequate and consistent level of investment from the Port's operating revenues, the growing deferred maintenance obligations will require significant public investment for public/private partnerships to succeed and other financing options will be difficult to leverage. The unfortunate result will be the inevitable loss of more piers, eroding the historic fabric and ending of the reuse and public benefit potential of these piers.

Since 2006, the estimate of costs to adequately repair the Port's portfolio has grown from \$1.2 billion to \$2.2 billion. The primary drivers of this growth are estimated renewal costs and inflation adjustments. The 10-Year Capital Plan update for FY 2013-2022, identifies only \$693 million over the next 10 years to repair the portfolio. Approximately \$100 million of the \$693 million is assumed to be funded by the Port's biennial Capital Budget. This assumption estimates that \$10 million per year will be available from Port operating revenues. Without intervention, the \$10 million assumption may even be too aggressive.

#### ***Trend Identified in the Five-Year Financial Plan***

The Port's Five-Year Financial Plan for FY 2011/12 through FY 2015/16<sup>3</sup> demonstrated a trend of growing operating expenses (average of 4 percent per year) that outpace revenues (average of 3 percent per year). Reductions in operating surplus directly impact the Capital Budget for the next year because the Capital Budget is funded from fund balance. As a result, the Five-Year Financial Plan shows declining capital investments beginning in FY 2013/14 of 37 percent over the forecast period, ending in FY 2015/16 with \$6.2 million dollars available for the Capital Budget. This trend indicates Port capital resources in amounts far less than the average \$8.3 million annual baseline currently required to fund dredging obligations, deferred maintenance and emergency needs. This trend indicates capital resources available in amounts significantly less than \$10 million per annum assumed by the 10-Year Capital Plan's Plan of Finance. The result of such shortfalls would further defer critical maintenance work, thereby compounding the Port's existing backlog.

#### ***Credit Risk***

The rating agencies which evaluate our Capital Plan and Plan of Finance to determine credit worthiness, among other factors, have continually noted as credit concerns the Port's aging infrastructure, overdue maintenance, and the significant amount of capital needs described in the Capital Plan for which financing has not yet been identified. The rating agencies would prefer to see the Port devote increasing sources of funding for capital needs, and identify financing for a greater share of its Capital Plan. Continued demonstrated progress in these areas will contribute towards the Port's ability to maintain its capital assets, and help the Port in its efforts to maintain its current credit ratings.

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<sup>3</sup> The Board of Supervisors adopted the City's Five Year Financial Plan of FY 2011/12 through FY 2015/16 on June 7, 2011 and an update was provided to the Port Commission on July 12, 2011. A copy of the Plan is available on the Mayor's Office website at <http://sfmayor.org>.





### ***How Much Is Adequate***

Ideally, the Port's operating revenues should support renewal costs of Port assets which are not tenant or lease-hold responsibility. A representative amount for what is required to invest every year for renewal with respect to pier substructures is \$20 million. This is roughly equivalent to a reinvestment of  $\frac{3}{4}$  of 1 percent of the replacement value of those structures. A representative amount of what is required to invest every year with respect to all asset systems is approximately \$32 million. Deducting tenant responsibilities and addressing the backlog of deferred maintenance would require an investment of approximately \$38 million per year over the next 10 years. In other words, to both address the backlog and meet renewal needs would require that over 50 percent of the Port's annual operating revenues be dedicated to capital expenditures. Unfortunately, this magnitude of a shift within the operating budget is not possible without a significant negative impact to Port operations. Only substantial revenue growth from sources such as Infrastructure Financing District proceeds or other sources will allow substantial progress toward this goal.

While the Port cannot invest the necessary amount to address the maintenance backlog and invest in renewal annually, it can set an achievable requirement and goal to intentionally allocate a greater portion of its operating revenues to fund capital requirements as described below.

### **Recommended Policy**

#### ***Designate Operating Revenue to Capital***

As a result of budget adjustments applied to the proposed biennial budget for FY 2012/13 and FY 2013/14, for the first time staff was able to designate surplus operating revenues to future capital investments that will be applied to the next budget year. Achieving a surplus to designate to capital requires staff and the Port Commission to examine tradeoffs between the operating and capital budgets. Port staff should continue to designate surplus operating revenue to further capital investments to provide a stable funding source for the Capital Plan.

#### ***Establish Minimum Target for Funding Capital Expenditures***

Port staff is proposing a policy that requires total minimum funding of capital expenditures in the biennial budget of no less than 20 percent per annum, with the goal of increasing the contribution to 25 percent per annum within five years. The minimum funding requirement shall be met through (1) the annual appropriation for current capital expenditures ("Capital Budget") and (2) a designation of current estimated revenues for future capital expenditures, consistent with the Capital Plan. The appropriations for the Capital Budget will reflect an estimate of available fund balance and the designation to the Capital Plan will reflect the estimate of net revenues in the budget year, which will then be available to fund capital spending in the second year of the biennial budget.

If Port revenues continue to be stable, the 20 percent requirement will yield annual capital investments of around \$14.9 million, which is \$5.1 million shy of the \$20.0 million estimated renewal costs for pier substructures. Notably, the proposed biennial operating budget for FY 2012/13 and FY 2013/14 meets this requirement, with 19.8



percent of operating revenues, or \$14.8 million, allocated to capital in FY 2012/13 and 20.9 percent of operating revenues, or \$16 million, allocated to capital in FY 2013/14.

The 25 percent goal will yield capital investments of approximately \$19 million, which is only \$1 million shy of the estimated \$20 million annual renewal costs for pier substructures. While the Capital Budget will be allocated to a variety of projects, including Pier Structures Repair, the allocation of 25 percent of operating revenue to capital expenditures is an achievable benchmark.

If economic conditions or other future factors disrupt the stability of Port revenues, Port staff will recommend to the Port Commission any modification to capital expenditure funding levels required by this policy in connection with the normal hearing and approval process for the affected biennial budget.

### ***Objectives of Proposed Policy***

The policy to designate surplus operating revenues to capital requirements combined with establishing a minimum allocation of annual operating revenues to fund future capital expenditures will meet the following objectives:

- Ensure that the Port has stable and growing operating resources dedicated to capital expenditures;
- Constrain the operating budget to achieve 20 percent requirement and 25 percent goal of operating revenues for capital;
- Require staff and Commission to make trade-offs between operating growth and capital needs; and
- Reduce the credit risk associated with unfunded capital obligations.

**Emergency needs.** The current Port Commission policy of setting aside at least 15 percent of operating expenditures allows Port staff to draw down funds from the operating reserve to cover unforeseen expenses provided it seeks the authorization in advance to do so from the Port Commission, Mayor, and Board of Supervisors. Port staff may also use funds from the operating reserve without first seeking authorization from the Port Commission if the Mayor declares an emergency or an event occurs on Port property that requires an immediate response for which the Port has insufficient appropriated funds or lacks the appropriation authority to spend funds as required by the event. In such circumstances, Port staff will use its best efforts to seek retroactive Port Commission approval as soon as practical. The 15 percent operating reserve provides sufficient coverage for unforeseen expenses.

### ***Conclusion***

The Capital Budget has historically been too low to adequately address capital needs and trends indicate this budget could decline further. Policy intervention is required to provide stable and growing operating revenue for capital investments. The proposed policy is intended to (1) ensure that the Port has stable and growing operating resources dedicated to capital expenditures, (2) constrain the operating budget to meet the 20 percent requirement and 25 percent goal of operating revenues for capital, (3) require staff and the Port Commission to make trade-off decisions between operating







growth and capital needs, and (4) reduce the credit risk associated with unfunded capital obligations,

Prepared by: Elaine Forbes, Deputy Director  
Finance and Administration

Attachment:  
Port Policy for Funding Capital Budget Expenditures



## **EXHIBIT A**

### **Port of San Francisco** **DRAFT Policy for Funding Capital Budget Expenditures**

February 2012

The Port of San Francisco consists of seven and one-half miles of waterfront property from Hyde Street Pier in the northeast to India Basin in the southwest, including more than 834 acres consisting of 629 acres of landside property and 205 acres of waterside property. The Port is one of the most diverse ports in the nation.

The Port is an enterprise of the City & County of San Francisco and supports its mission and operations through self-generated revenues. To support its operations, the Port owns or has responsibility for the maintenance of a great number of capital assets, including 39 pile-supported pier structures, 80 substructures (of both piers and marginal wharves between piers), 245 commercial and industrial buildings, over three miles of streets and sidewalks, and elements of the utility infrastructure that support them, as well as drydocks, cargo cranes and heavy equipment used by the Port's maintenance division.

In 2006, the Port catalogued its outstanding deferred maintenance and adopted its first 10-Year Capital Plan (Capital Plan). The Capital Plan assesses the minimum expenditure necessary, in current dollars, to maintain all of the Port's diverse portfolio for their current uses. Subsequent to creating the Capital Plan, the Port also devised a Plan of Finance that identifies all currently known sources to address Capital Plan costs. The Plan of Finance for the Port's Capital Plan (Plan of Finance) identifies seven sources of funding for capital improvements directed by the Capital Plan. One such source is money from the Port's annual operating budget. Each year, the Port employs prior year surplus to fund its annual Capital Budget. Historically, such funding has been erratic, averaging \$8.6 million. However, in support of the Capital Plan, the Port's Plan of Finance assumes annual funding of \$10 million.

The Port's most recent Five-Year Financial Plan for FY 2011/12 through FY 2015/16<sup>1</sup> demonstrated a trend of growing operating expenses (average of 4 percent per year) that outpace revenues (average of 3 percent per year). Reductions in operating surplus directly impact the Capital Budget for the next year because the Capital Budget is funded from fund balance. As a result, the Five-Year Financial Plan shows declining capital investments beginning in FY 2013/14 of 37 percent over the forecast period, ending in FY 2015/16 with \$6.2 million dollars available for the Capital Budget. This trend indicates Port capital resources in amounts far less than the average \$8.3 million annual baseline for capital budget investment. This trend also indicates capital resources available in amounts significantly less than \$10 million per annum assumed

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<sup>1</sup> The Board of Supervisors adopted the City's Five Year Financial Plan of FY 2011/12 through FY 2015/16 on June 7, 2011 and an update was provided to the Port Commission on July 12, 2011. A copy of the Plan is available on the Mayor's Office website at <http://sfmayor.org>.



by the Plan of Finance. The result of such shortfalls would further defer critical maintenance work, thereby compounding the Port's existing Capital Plan backlog.

### **Proposed Policy for Funding Capital Budget Expenditures**

The Capital Budget has historically been too low to adequately address capital needs and trends indicate this budget could decline further. To provide stable and growing operating revenue for capital investments, the Port will adhere to the following budgetary requirements.

1. Annually, a minimum of no less than 20 percent of Port operating revenues shall be set aside in the Port's operating budget to fund capital expenditures. This minimum funding requirement shall be met through (1) an annual appropriation for current capital expenditures ("Capital Budget") and (2) a designation of current estimated revenues for future capital expenditures, consistent with the Capital Plan.
2. Within 5-years from FY 2012/13, set a goal for increasing the 20 percent minimum funding requirement above to an annual contribution equal to 25 percent of operating revenue per annum.
3. If economic conditions or other future factors disrupt the stability of Port revenues, Port staff will recommend to the Port Commission any modification to capital expenditure funding levels required by this Policy in connection with the Port Commission's normal review and approval process for the affected biennial budget.
4. This Policy shall become effective beginning with the FY 2012/13 operating budget.
5. The Port reserves the right at any time and from time to time to revise this Policy or to make such other and policies as the Port shall determine are in the best interest of the Port, its operations and budgets and its Capital Plan.

This proposed Policy is intended to (1) ensure that the Port has stable and growing operating resources dedicated to capital expenditures, (2) constrain the operating budget to meet the predictable funding requirements for capital, (3) require staff and the Port Commission to make trade-off decisions between operating growth and capital needs, and (4) reduce the credit risk associated with unfunded capital obligations.







## MEMORANDUM

February 23, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer *M Moyer*  
Executive Director

**SUBJECT:** Informational presentation on proposed San Francisco Bay Conservation and Development Commission Special Area Plan amendment for the Pier 27 Cruise Terminal and Northeast Wharf Project and 34<sup>th</sup> America's Cup Project

**DIRECTOR'S RECOMMENDATION:** INFORMATION ONLY NO ACTION REQUIRED

### Introduction

FY 2011-12 marks a year in which the Port of San Francisco is undertaking several projects that will contribute substantially to its waterfront revitalization efforts, guided by the Port's Waterfront Land Use Plan (WLUP) and the San Francisco Bay Conservation and Development Commission (BCDC) San Francisco Waterfront Special Area Plan (SAP). The James R. Herman Cruise Terminal and Northeast Wharf Plaza at Pier 27, and the 34<sup>th</sup> America's Cup each promote water-dependent maritime uses that carry out a core mission of the Port, create interest and variety, and provide public access that attracts public enjoyment of San Francisco's waterfront. This staff report provides information on the significance of the SAP, proposed SAP amendments to facilitate these important projects, coordinated Port and BCDC planning efforts, projected costs associated with the proposed SAP amendments, and next steps.

The Pier 27 Cruise Terminal and 34<sup>th</sup> America's Cup projects meet most, but not all, policies of BCDC SAP policies. Accordingly, amendments to the SAP have been proposed to consent to each of these projects, a prerequisite to securing BCDC permits required to allow construction. Port staff previously produced staff reports and informational presentations to the Port Commission related to the Pier 27 Cruise Terminal and 34<sup>th</sup> America's Cup SAP amendment proposals on: 1) April 12, 2011

**THIS PRINT COVERS CALENDAR ITEM NO. 10A**



(BCDC overview and approval of an agreement with BCDC to pay for staff costs associated with SAP amendments); 2) May 24, 2011 (Informational presentation on the public interview and outreach process and proposed SAP amendments for the Pier 27 and America's Cup projects; and 3) November 15, 2011 (Informational presentation on the America's Cup project, including proposed SAP amendments). All of these reports are incorporated here by reference.

## **Background**

As described in the April 12, 2011 Port Commission staff report, the Port and BCDC have a well-established history of coordinated planning to improve the San Francisco waterfront. The public planning process undertaken by the Port to develop the WLUP in the 1990's incorporated a joint planning process with BCDC. That effort provided the opportunity to look at the waterfront comprehensively which led to amended policies in the WLUP and SAP approved by the Port Commission and BCDC Commission, respectively, in 2000. The amended policies responded to BCDC's fill removal and public access objectives, and the Port's objective to broaden the range of allowable land uses under BCDC's rules, to provide a more diverse and economically productive mix of activities promoted in the WLUP.

Prior to the 2000 amendments, the SAP required that each project along the San Francisco waterfront that substantially rehabilitated a pier (including major repairs and seismic improvements) had to provide public access on (i) 50 percent of that pier, or (ii) another pier within the same geographic vicinity, or (iii) remove half of the existing pier area to reduce Bay fill. This provision is referred to as the Replacement Fill policy, also known as the "50 Percent Rule". In addition, the SAP limited land uses in new development projects to water-oriented maritime, open space and visitor-oriented commercial recreation uses (such as the mix of uses at Pier 39). The combination of the 50 Percent Rule and water-oriented use restrictions challenged the economic viability of pier rehabilitation projects, and/or precluded the ability to preserve historic maritime resources. These rules ran counter to the objectives of the WLUP, which promoted a broader array of land uses and the adaptive reuse of historic piers.

The planning process which led to the 2000 SAP amendments focused on finding the best locations for projects and the best locations for fill removal and large public plazas and open spaces within the Northeast Waterfront, from Pier 35 to China Basin Channel. They were intended to strategically achieve the goals of the 50 Percent Rule, derived from a comprehensive planning perspective instead of a more haphazard approach to achieving fill removal and public access on a project-by-project basis. The intent was to yield waterfront "public benefits" by creating specified areas of permanent open waters (the Northeast Wharf, Broadway, Rincon Point, Brannan Street Open Water Basins), major new public plazas (Northeast Wharf and Brannan Street Wharf), and public access and viable project sites that provide a rhythm of uses which complement one another. Together they provide public open spaces and views that balance out more intensely developed areas of the waterfront. The fill removal designations included in the 2000 SAP were defined in part to enable the creation of the designated Open Water Basins, and the public plazas were located within the Open Water Basins to maximize enjoyment and broad public views of the Bay. The 2000 SAP amendments also







provided for the creation of the Embarcadero Waterfront Historic District. As described in BCDC staff reports dated April 22, 2011 and January 4, 2012 (the January 4<sup>th</sup> staff report is provided in Attachments 2a and 2b to this report):

"The key overall public benefits adopted in the 2000 SAP are:

- the removal of deteriorating piers that pose a threat to navigation, and to public safety and health;
- the restoration of significant areas of open water to enhance the ecological health of the Bay and to facilitate needed public recreation and access opportunities;
- the completion of a waterfront-wide, integrated public access network, guided by a policy framework for expanding public access; design policies that promote low-scale development and preserve significant Bay views; an implementation program to fund and construct the plazas and pier removals; and enhancement of Bay views and opportunities to enjoy water areas adjacent to the Embarcadero;
- the preservation of important and unique historic resources along the waterfront; and
- the development of new uses to enable public enjoyment of the waterfront, including life safety and seismic improvements and repairs of existing piers."

The revised policies also allowed a broader range of uses which enabled the rehabilitation of the Ferry Building, Piers 1 through 5, and development of the Giants Ballpark, the Bryant Street Pier project at Pier 30-32 (which was approved by BCDC but not developed due to economic feasibility issues), and The Exploratorium at Piers 15-17.

Attachment 1 presents the overview map which shows the location of each of the existing four Open Water Basins, fill removal locations, and public plaza locations in the Northeast Wharf area between Pier 35 and China Basin Channel. The Open Water Basin policies also provide direction on the types of uses that are allowed or disallowed in these areas.

The SAP includes Plan Implementation Requirements to integrate project reviews and promote interagency coordination that have led to a very collaborative relationship between the Port, BCDC, and the City. The Implementation Requirements also set a schedule and triggers to create the Embarcadero National Register Historic District and implement the various fill removal and plaza requirements, phased over time, funded by the Port.

In order to approve the SAP policy changes and use exceptions in 2000, the BCDC Commission approved findings that the revised balance of public and private benefits would be necessary to protect the health, safety and welfare of the public in the entire



Bay Area. The findings that the BCDC Commission relied upon to make this determination required that the public benefits would have to be sufficient to warrant BCDC to exercise its authority to set aside the use limitations on new Bay fill otherwise required under the McAteer-Petris Act (Title 7.2 of the California Government Code<sup>1</sup>), BCDC's enabling legislation. This is a high bar, and any subsequent proposals to amend the SAP must be reviewed by BCDC to meet this standard. BCDC staff has stated that amendments to the SAP must provide public benefits that are equal to or better than those required in the SAP in order for the BCDC Commission to amend the SAP.

The James R. Herman International Cruise Terminal and Northeast Wharf Plaza at Pier 27, and America's Cup projects both have been the focus of detailed analysis and documentation by the Port, which have been presented to the Port Commission, most recently on December 16, 2011 (Pier 27 and America's Cup) and February 14, 2012 (America's Cup). The details of each of these projects are incorporated here by reference. Each of these projects includes aspects that conflict with existing SAP policies and require separate amendments. BCDC staff is reviewing the two sets of SAP amendments together and produced a Draft Staff Report and Preliminary Recommendation for the SAP amendments in a staff report published on January 4, 2012, which is included as Attachments 2a and 2b.

### **Pier 27 SAP Amendments**

The Port filed an application to amend the SAP to allow the development of an international cruise terminal at Pier 27 and to retain the Pier 23 shed for future development opportunities. Under current SAP policy, the Northeast Wharf Open Water Basin is designated between Pier 19 and 27, and the Northeast Wharf Plaza is required to be located at the foot of Pier 27, adjacent to The Embarcadero Promenade. The policies require the removal of at least the easternmost 315 feet of the Pier 23 shed, and removal of 56,000 sq. ft. of the Pier 27 shed to develop the Northeast Wharf Plaza that affords expansive Bay views. The public view policies prohibit ships or vessels to be berthed along the Pier 27 apron that would extend into and obstruct the public view corridor from the Plaza, or close public access to the water's edge. Back in 2000, the Port was planning a new cruise terminal for Pier 30-32. Pier 27 was being planned for development of a mixed use recreation project, with activities that were considered complementary to and which would activate the Northeast Wharf Plaza.

With the decision to develop the cruise terminal at Pier 27, the various operational requirements to support this maritime facility and comply with applicable federal security and safety requirements dictates the need to periodically close public access, as needed, which diminishes the public benefit value of the Northeast Wharf Plaza and public access. In addition, berthing of passenger cruise ships and other large maritime vessels will extend westward of the cruise terminal, blocking Bay views from the Plaza when in port. While BCDC policies recognize and allow water-oriented maritime uses

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<sup>1</sup> The McAteer-Petris Act can be found at:





such as the cruise terminal, in light of the existing SAP policies, the location of this use at Pier 27 creates conflicts with the SAP that dictate the need for the proposed amendments, described below.

The Port has proposed retaining the Pier 23 shed in its entirety, which conflicts with the SAP requirement to remove the eastern end of the pier shed. Back in 2000, the Port and BCDC understood that Pier 23 was an historic resource potentially eligible for listing on the National Register. However, pier condition surveys conducted subsequent to the 2000 SAP amendments revealed that Pier 23 is in good condition relative to many of the Port's other historic piers. In light of this information and with understanding of the financial challenges to successfully complete historic rehabilitation projects on its finger piers, the Port proposed deleting this requirement.

The combination of the Northeast Wharf Plaza and Pier 23 changes requires the Port to propose a new Open Water Basin to replace the Northeast Wharf Open Water Basin, and to provide for alternate public access. Prior to the selection of San Francisco as the Host City for America's Cup, the Port conducted a stakeholder interview process (see May 19, 2011 Port Commission staff memorandum) in coordination with BCDC to solicit public input to help define a proposed SAP public benefits package for the Pier 27 project. The interview process provided insights on some of the SAP amendments now proposed.

The compressed timeframe required to plan and entitle the America's Cup project, including permitting and construction of Phase I of the Pier 27 Cruise Terminal by March 2013, did not enable Port staff to complete a full public process to define a package of specific improvements. As a result, the proposed SAP amendments for the Pier 27 project include commitments to conduct a number of planning studies, which are described in Table 1 below. The Port proposed SAP amendments described in the May 19, 2011 Port Commission memorandum. Since that time, BCDC staff has conducted its review, held two BCDC public hearings and received public comments. The January 4, 2012 BCDC staff report in Attachments 2a and 2b provides a detailed discussion of the public comments received and BCDC staff review of the Port's proposed amendments. BCDC staff recommendations incorporate revisions which they believe are necessary to meet the required "health, safety and welfare of the public in the entire Bay Area" standard. Table 1 below provides a summary of the BCDC staff recommendations described in Attachments 2a and 2b, and associated Port staff discussion.





**Table 1: Summary of BCDC Recommendations for Pier 27 BCDC SAP Amendments**

BCDC Staff Recommendation	Port Staff Comments
<p><b>A. Fisherman's Wharf 50% Rule.</b> Require a public process to be initiated in July 2012 and completed by July 2015 to develop an open water basin and public plaza in the Fisherman's Wharf geographic area. If constructed and funded, the Port would seek amendments to the SAP to eliminate the 50 Percent Rule from the Fisherman's Wharf geographic area (north of Pier 35)</p>	<p>The SAP currently contains policies calling for a planning process with Fisherman's Wharf stakeholders for the creation of a major public plaza. There have been several prior plaza planning efforts. While they yielded community consensus that led to Proposition A funding for the Pier 43 Promenade now under construction, no plaza plan has been developed.</p> <p>Fisherman's Wharf and south of China Basin are still under the 50 Percent Rule restrictions which would adversely affect Port restaurants and businesses on pile-supported piers, should they need BCDC permits for major substructure or seismic repairs. To eliminate the 50 Percent Rule in Fisherman's Wharf, BCDC is looking for the creation of an open water basin and plaza improvement that incorporates Pier 43 Promenade.</p>
<p><b>B. Findings.</b> Add findings that provide updates on improvements to the waterfront, and issues related to the Pier 27 and America's Cup projects that give rise to the SAP amendments</p>	<p>BCDC revisions would acknowledge that the Port has met requirements under the SAP to date: removal of Pier 24 (except a concrete portion attached to the Bay Bridge abutment), Pier 34, Pier 36 (in process as part of Brannan Street Wharf project), creation and listing of the Embarcadero Waterfront Historic District on the National Register of Historic Places.</p>
<p><b>C. Open Water Basins.</b> Modify the Open Water Basin Policies to:</p> <p>(a) delete the Northeast Wharf Open Water Basin between Piers 19 and 27;</p> <p>(b) require a planning process beginning in July 2012 and completed by July 2015 to identify a new open water basin within the Northeastern Waterfront (Pier 35 to China Basin), as close to Pier 27-29 as possible, to replace the deleted open water basin;</p> <p>(c) provisionally delete the requirement to remove a portion of the Pier 23 shed, conditioned on the approval by BCDC by December 31, 2015 of a SAP amendment for a new substitute open water basin within the Northeastern Waterfront. If by July 2015 siting of an open water basin between Piers 29 and 33 is found to be infeasible, the requirement to remove the eastern end of Pier 23 shed will remain as a requirement until the location, planning and funding of a replacement open water basin is identified by the Port and approved by BCDC. The Pier 23 shed removal, or other shed removal as may be identified with the substitute open water basin, is required to be removed within 15 years of the issuance of occupancy for the Pier 27 cruise terminal. No development within the eastern end of Pier 23 would be authorized by</p>	<p>In response to the Port's proposal to retain the entirety of Pier 23, BCDC is willing to allow an SAP amendment to put the Pier 23 removal requirement on hold pending a planning process to define a substitute Northeast Wharf Open Water Basin. If this does not occur by July 2015, the Pier 23 removal requirement will spring back calling for removal to be completed 15 years after completion of major development of Pier 27 (Phase 2 of the cruise terminal or other). BCDC has indicated that removal of Pier 31 could create a suitable fill removal replacement in lieu of Pier 23 removal, enabling creation of an open water basin between Pier 29 and Pier 33.</p>



**Table 1: Summary of BCDC Recommendations for Pier 27 BCDC SAP Amendments**

BCDC Staff Recommendation	Port Staff Comments
BCDC until BCDC has approved the replacement open water basin.	
D. Modify Figure 2 Open Water Basins, Open Water Areas and Public Plazas to reflect changes described above in C.	
<p><b>E. Public Plazas.</b> Modify Public Plaza policies for the Northeast Wharf Plaza to:</p> <p>(a) revise the view requirements around Pier 23 and Pier 29 and at Northeast Wharf Plaza;</p> <p>(b) modify the Pier 27 shed removal requirements; and delete the allowance for commercial active recreation use of the Northeast Wharf Plaza and the requirement for waterside and small craft access in the plaza; and</p> <p>(c) Complete the Northeast Wharf Plaza upon issuance of a certificate of occupancy for the cruise ship terminal at Pier 27 if necessary grants or other funding are available, or within 11 years if necessary grants or other funding are not available.</p>	<p>The Public Plaza policy changes reflect the Port's proposal to use Pier 27 as a cruise terminal instead of mixed-use active recreation development, and the impacts of large ships berthed at the terminal on Bay views from the Plaza. The Port has proposed an accelerated timeframe for completion of the Northeast Wharf Plaza, as part of the public benefits of the cruise terminal project.</p> <p>The Port proposes to include funding for the Northeast Wharf Plaza in the 2012 General Obligation Bond measure to construct parks and open space along the Port waterfront and on Recreation and Park Department lands. If the Port succeeds in securing this funding, the Northeast Wharf Plaza would be constructed as part of Cruise Terminal Phase 2. If the GO Bond is not approved, the Plaza would be required within 11 years of completion of the cruise terminal, to provide time to secure other funding. The SAP currently requires the Northeast Wharf to be completed in 15 years if grants or other funding is available, or within 20 years.</p>
<p><b>F. Public Access.</b> If a cruise terminal or other maritime use is developed at Pier 27, provide pier perimeter public access to the north apron of Pier 29, a Bayside History Walk through Pier 29 or Pier 29½, and Phase 1 of the pier end open space at Pier 27-29.</p> <p>Within five years of certificate of occupancy for the Pier 27 cruise terminal, or within 11 years if necessary grants or other funding are not available, provide public access on the north apron of Pier 19, the south apron of Pier 23, the Pier 19½ apron and public access through the Pier 19½ and Pier 29½ connector buildings.</p>	<p>The SAP includes policies for providing public access as well as policies for the designated public plazas. In addition to providing the Northeast Wharf Plaza, BCDC typically requires pier perimeter public access in new projects. Pier 27 apron and Pier 27 Tip would be a shared resource that provides public access when it is not in use for maritime berthing/provisioning. The Port has proposed parameters to manage this shared maritime/public access shared use. The Pier 29 apron, Bayside History Walk, and Pier 29 Tip are proposed as public access that would remain open when cruise ships or other vessels are in port.</p> <p>In accommodating the Port's maritime operations at Pier 27, BCDC seeks additional public access off-site on the sites indicated. The Pier 23 south apron is in relatively good condition but requires repairs. The Pier 19 north apron is in poor condition and would need to be rebuilt. These apron improvements would complement the legacy public access improvements proposed as part of the America's Cup for the Pier 23 north apron, and Pier 19 south apron.</p>







**Table 1: Summary of BCDC Recommendations for Pier 27 BCDC SAP Amendments**

BCDC Staff Recommendation	Port Staff Comments
<p><b>G. Historic Resources Closed for Use.</b> By July 2015, initiate a planning process to identify strategies for either rehabilitating or removing Embarcadero Historic District resources within a certain period of time after being closed to occupancy and use</p>	<p>This study recognizes the aging state of the Port's historic resources. Its scope would include analysis of the implications and needs for maintaining the integrity of the Embarcadero Historic District, and the financial requirements associated with the strategies defined.</p>

Port staff has worked with BCDC staff to understand the BCDC policy considerations of these proposed amendments, and the associated Port financial obligations and implementation requirements. As a long-term outlook, the WLUP and SAP chart the objectives and priorities for public waterfront improvements, recognizing that the success of each agency is dependent on a healthy partnership with the other, and collaborative efforts to help the public understand this interrelationship. The Port and BCDC both are public trust agencies. BCDC's primary mandates are to improve the ecology and public enjoyment of San Francisco Bay by regulating Bay fill, and ensuring that all waterfront projects provide maximum feasible public access. The Port has a broader set of public trust responsibilities which include providing for San Francisco's diverse water-dependent maritime industries and preserving the finger piers and bulkhead buildings, as well as increasing waterfront public open spaces and protecting and restoring the environment. As an enterprise agency, the Port relies largely on revenues from leasing Port facilities to provide the resources to carry out new improvements as well as its operational needs. The SAP policies approved in 2000 contemplated approximately \$30 million (2000 dollars) in fill removal and public plazas. At that time, the Port's financing strategies consisted of Port lease revenues, public-private development partnerships, the federal historic tax credit program, and grants.

As documented in the BCDC staff report in Attachments 2a and 2b, the Port has met all of its SAP obligations to date, with the exception of a remnant amount of fill removal attached to one of the abutments of the Bay Bridge. In fact, the Port has gone beyond the SAP requirements by delivering major new waterfront open space projects ahead of schedule or that are not required in the SAP. This was made possible by the support of San Francisco voters who approved funding through General Obligation bond financing, one of several new public financing tools that the Port has secured to pay for waterfront improvements.

### **Costs Estimates for Proposed Pier 27 SAP Requirements**

Since release of the BCDC staff report in Attachments 2a and 2b, Port staff, assisted by Winzler and Kelly Engineers, has developed cost estimates of the proposed improvements and incorporated these potential obligations into the FY 2013-22 update of the Port's 10-Year Capital Plan. The Port has shared with BCDC information regarding the potential financing opportunities and limitations of carrying out these improvements, and negotiated a phased implementation timeline to spread the improvements over a period that can be coordinated through the Port's Capital Budget planning process. The Port does not have all the capital resources in hand now to carry



out all improvements in the proposed SAP amendments. BCDC has worked with the Port to respond to funding constraints by phasing the improvements over time, within the timeline in the proposed amendments in Table 1. The Port will need to secure outside funding whenever possible, including the public financing tools that have been developed in recent years. In most cases, BCDC staff recognized the constraints on Port funding and imposed major capital project delivery date requirements that allow the Port up to 11 years to identify funding for these projects.

Table 2 below provides information on the cost estimates of the public benefits package and a proposed funding strategy.

**Table 2: Summary of Estimated Costs of BCDC Recommendations for Pier 27 BCDC SAP Amendments**

BCDC Staff Recommendation	Cost Estimate and Notes	Staff Proposed Funding Mechanism
<b>A. Fisherman's Wharf 50% Rule.</b> Require a public process to be initiated in July 2012 and completed by July 2015 to develop an open water basin and public plaza in the Fisherman's Wharf geographic area. If constructed and funded, the Port would seek amendments to the SAP to eliminate the 50 Percent Rule from the Fisherman's Wharf geographic area (north of Pier 35)	The Port has an existing BCDC permit requirement to expand the Pier 43½ Bay Link Trail with public open space improvements to the Pier 43 Historic Rail Arch, estimated at <b>\$3.8 million</b> (Winzler & Kelly, 2/17/12).	2012 GO Bond
	The proposed SAP requirement seeks a planning process to construct additional public access improvements in the area, coupled with an open water basin. The cost of this additional plaza area is unknown because any expanded plaza area would develop from the proposed planning process. Port staff informally estimate the cost of an expanded plaza area at <b>\$4 million</b> .	Unknown
<b>C. Open Water Basins.</b> Modify the Open Water Basin Policies to:		
(a) delete the Northeast Open Water Basin between Piers 19 and 27;	<b>Unknown</b> until planning is complete, but costs could be substantial if it involves shed or pier removal. As an example, Pier 36 shed removal is expected to cost \$5.2 million, funded through a combination of federal and Port sources. The <u>current</u> SAP requirement to remove the easternmost 315 feet of the Pier 23 shed within 15 years of constructing the cruise terminal has a projected capital cost of \$2.3 million. The proposed SAP amendments would allow the Port to avoid this cost and allow the Port to retain all of Pier 23, which is in good condition, for revenue leasing or development purposes.	Unknown. Port's recent funding strategy has been to seek funding from the federal WRDA, which requires a 1/3 local match. This funding source is highly uncertain in the current federal environment.
(b) require a planning process beginning in July 2012 and completed by July 2015 to identify a new open water basin within the Northeastern Waterfront;		
(c) provisionally delete the requirement to remove a portion of the Pier 23 shed, if the location, planning and funding of a replacement open water basin is identified by the Port and approved by BCDC.		





**Table 2: Summary of Estimated Costs of BCDC Recommendations for Pier 27 BCDC SAP Amendments**

BCDC Staff Recommendation	Cost Estimate and Notes	Staff Proposed Funding Mechanism
<p><b>E. Public Plazas.</b> Modify Public Plaza policies for the Northeast Wharf Plaza to:</p> <p>(a) revise the view requirements around Pier 23 and Pier 29 and at Northeast Wharf Plaza;</p> <p>(b) modify the Pier 27 shed removal requirements; and delete the allowance for commercial active recreation use of the Northeast Wharf Plaza and the requirement for waterside and small craft access in the plaza</p> <p>(c) Complete the Northeast Wharf Plaza upon issuance of a certificate of occupancy for the cruise ship terminal at Pier 27 if necessary grants or other funding are available, or within 11 years if necessary grants or other funding are not available</p>	<p>The current projected cost of the Northeast Wharf Plaza is <b>\$14 million</b>. This is an existing SAP requirement – these amendments do not add to the project cost, but the requirements do replace the former two phase approach to plaza development with a requirement that the Port obtain funding and build the plaza within 11 years of constructing Phase 1 of the James R. Herman Cruise Terminal.</p>	<p><i>2012 GO Bond</i></p>
<p><b>F. Public Access.</b> If a cruise terminal or other maritime use is developed at Pier 27, provide pier perimeter public access to the north apron of Pier 29, a Bayside History Walk through Pier 29 or Pier 29½, and Phase 1 of the pier end open space at Pier 27-29.</p> <p>Within five years of certificate of occupancy for the Pier 27 cruise terminal, or within 11 years if necessary grants or other funding are not available, provide public access on the north apron of Pier 19, the south apron of Pier 23, the Pier 19½ apron and public access through the Pier 19½ and Pier 29-1/2 connector buildings.</p>	<p>Pier 19 N Apron: \$7.7 million (Winzler &amp; Kelly)  Pier 23 S Apron: \$3.3 million (Winzler &amp; Kelly)  Pier 29-29½ Deck Repairs and Walkways: \$1.6 million (Winzler &amp; Kelly)  Pier 19½ Removal: \$3.9 million (Winzler &amp; Kelly)  <b>Total: \$16.5 million</b></p> <p>The requirement to remove the Pier 19½ non-historic shed furthers the goals of both BCDC and the Port by permitting direct Bay access in this area and restoring Piers 19 and 23 to their original historic form. This requirement does not preclude the Port from rebuilding a smaller footprint building in this area, provided such improvements maintain direct access to the Bay and they are constructed consistent with Secretary of the Interior Standards for Treatment of Historic Properties.</p>	<p><i>Seawall Lot 351/8 Washington Street Infrastructure Financing District Bond Proceeds</i></p> <p><b>&amp;</b></p> <p><i>Legislation to include Piers 19 and 23 in the City's C-3 Transferable Development Rights Program</i></p>
<p><b>G. Historic Resources Closed for Use.</b> By July 2015, initiate a planning process to identify strategies for either rehabilitating</p>	<p><b>Unknown</b> until planning is complete. The costs of historic shed rehabilitation or removal vary widely. As noted above, Pier 36 shed removal is expected to cost \$5.2 million, funded through</p>	





**Table 2: Summary of Estimated Costs of BCDC Recommendations for Pier 27 BCDC SAP Amendments**

BCDC Staff Recommendation	Cost Estimate and Notes	Staff Proposed Funding Mechanism
or removing Embarcadero Historic District resources within a certain period of time after being closed to occupancy and use.	a combination of federal and Port sources.	

As illustrated above, the estimated total known costs for new proposed BCDC requirements is \$20.5 million, with potential reduced costs of \$2.3 million (through the potential to retain all of Pier 23). As discussed in the February 23, 2012 staff report to the Port Commission regarding the FY 2013-22 10-Year Capital Plan, Port staff proposes to fund current and proposed BCDC public benefit obligations through a variety of financing strategies, as follows:

- November 2012 Parks General Obligation Bond.** Port staff proposes a \$40 million allocation for Port parks, subject to approval by the Port Commission, the Capital Planning Committee, the Board of Supervisors and a super majority of San Francisco voters. \$20 million of this amount would be dedicated to northern waterfront park and plaza improvements, including the Northeast Wharf Plaza, the Piers 27-29 tip, and Fisherman's Wharf Bay Trail improvements.
- Seawall Lot 351/8 Washington Infrastructure Financing District (IFD).** Subject to approval by the Port Commission and the Board of Supervisors, Port staff proposes that the projected \$25 million in bonding capacity that would arise from this project, if approved, be programmed to pay for Pier 27 Cruise Terminal Phase 2 costs, under-pier utility capital upgrades, and BCDC SAP public benefit costs associated with the cruise terminal. The Seawall Lot 351/8 Washington project is scheduled for consideration by the Planning Commission, the Port Commission and the Board of Supervisors in March-May 2012.
- Transferable Development Rights.** Subject to approval by the Port Commission, the Planning Commission and the Board of Supervisors, Port staff proposes that Piers 19 and 23 be authorized to sell *transferable development rights* into the City's C-3 zoning districts pursuant to an amendment to the San Francisco Planning Code. This program generates private funding for rehabilitation of privately-owned historic resources in the C-3 zoning districts. If such an amendment is authorized, the Port would be authorized to sell unused floor-area-ratio ("FAR") that is allocated to Port piers in the Planning Code to developers building new buildings in the C-3 zoning districts. Port staff proposes that this private financing, if approved, should be dedicated to Pier 19 and 23 apron repairs and the removal of the non-historic Pier 19½ required by BCDC.

### America's Cup SAP Amendments

The SAP amendments necessitated by the America's Cup project are to allow temporary mooring of large spectator yachts, often referred to as "superyachts" in all



four of the BCDC Open Water Basins during the 2012 and 2013 race events: 1) Northeastern Waterfront (Pier 19 to Pier 27); Broadway (Pier 3 to Pier 9); Rincon (south of Pier 14 to Howard Street, but not extending into waters adjacent to Rincon Park) and Brannan Street Wharf (Pier 32-38). Within the Brannan Street Open Water Basin, the AC72 racing catamarans also would be berthed. The America's Cup SAP amendments were discussed in the November 10, 2011 Port Commission memorandum. The January 4, 2012 BCDC staff report in Attachments 2a and 2b also includes detailed discussion of the proposed SAP amendments associated with the America's Cup. In recommending that this temporary berthing be allowed in the open water basins, BCDC staff recommendations require the public benefits described in Table 3 below.

**Table 3: Summary of BCDC Recommendations for America's Cup SAP Amendments**

BCDC Staff Recommendation	Cost Estimate and Notes
A. By March 2013, remove the existing restaurant at Pier 2 and make this space available for public access during the event <u>or</u> remove by January 2015	The removal of the Pier 2 restaurant building is an existing SAP policy, triggered by the next phase of the Downtown Ferry Terminal. Port staff is currently negotiating with the restaurant's owners regarding this proposal.
B. By March 2013, remove a portion of Pier ½, retaining only that portion required for a vessel berthing facility and public access	Pier ½ is a parking lot that has been red-tagged and closed since 2010. Pier ½ removal is an existing SAP requirement that is triggered by Phase 2 of the Downtown Ferry Terminal; the BCDC proposal for the America's Cup proposes to accelerate this removal requirement. Pier ½ is not an historic resource and therefore provides an opportunity to remove Bay fill without adversely affecting the Embarcadero Historic District.
C. By March 2013, improve the small craft launch at Pier 52 to permanently make it accessible to all small craft users	The public boat launch at Pier 52 is a well-used resource for water recreation users, except that the freeboard of the existing floating dock can be difficult for kayakers and other small craft users to access. BCDC has recommended that the float be modified for such access, especially for disabled recreational water users.
D. When no longer needed for maritime activity, Pier 54 should be developed for a marina use	This amendment is recommended to specify a location where a marina development currently is an allowed use in the SAP. It is proposed to eliminate any future consideration of a marina in the Rincon Open Water Basin, which BCDC has stated it will not authorize.

At the February 2, 2012 BCDC Commission hearing, BCDC staff also noted that the temporary use and dredging of the Brannan Street Open Water Basin would result in America's Cup Event Authority, LLC exclusive negotiating rights for a permanent marina at this location, which would conflict with the SAP. Staff noted that such a future marina proposal would require identifying a new open water basin to replace the Brannan Open Water Basin.

Except for Pier ½ removal and Pier 52 boat launch costs (estimated at up to \$100,000), costs for the BCDC public benefits in Table 3 above will be the responsibility of the





America's Cup Event Authority, LLC under the proposed AC34 Development and Disposition Agreement. Port staff intends to apply for Proposition K ½ cent sales tax funding for Pier ½ removal in March 2012.

### **Next Steps and Recommendation**

Port staff wishes to express its appreciation to BCDC staff and the waterfront stakeholders who engaged with the Port in planning for the Pier 27 cruise terminal. The balance of public benefits in the SAP is complicated, and involves weighing sometimes competing policy goals, such as historic preservation and fill removal.

The following are the next steps for the proposed SAP amendments and related BCDC actions:

- March 1, 2012 BCDC Commission vote on the Pier 27 and AC34 SAP amendment proposals;
- March 15, 2012 BCDC Commission hearing and vote on the Pier 27 and AC 34 (for work at Piers 30-32) Major Permits; and
- April/May 2012 BCDC hearing and vote on AC34 Major Permit (remaining project components).

Based on BCDC staff and Commission testimony at the February 2, 2012 BCDC Commission hearing, Port staff expects that the Pier 27 and AC34 SAP amendment requirements will be incorporated in the respective major permits for these projects in order to create an enforceable mechanism for delivery of these public benefits.

Port staff recommends that Port staff return to the Port Commission in March 2012 after further refining projected costs associated with BCDC requirements. At that time, the Port Commission may wish to authorize Port staff to pursue one or more recommended funding strategies and establish not-to-exceed expenditure limits beyond which Port staff must return to the Commission for further project review.

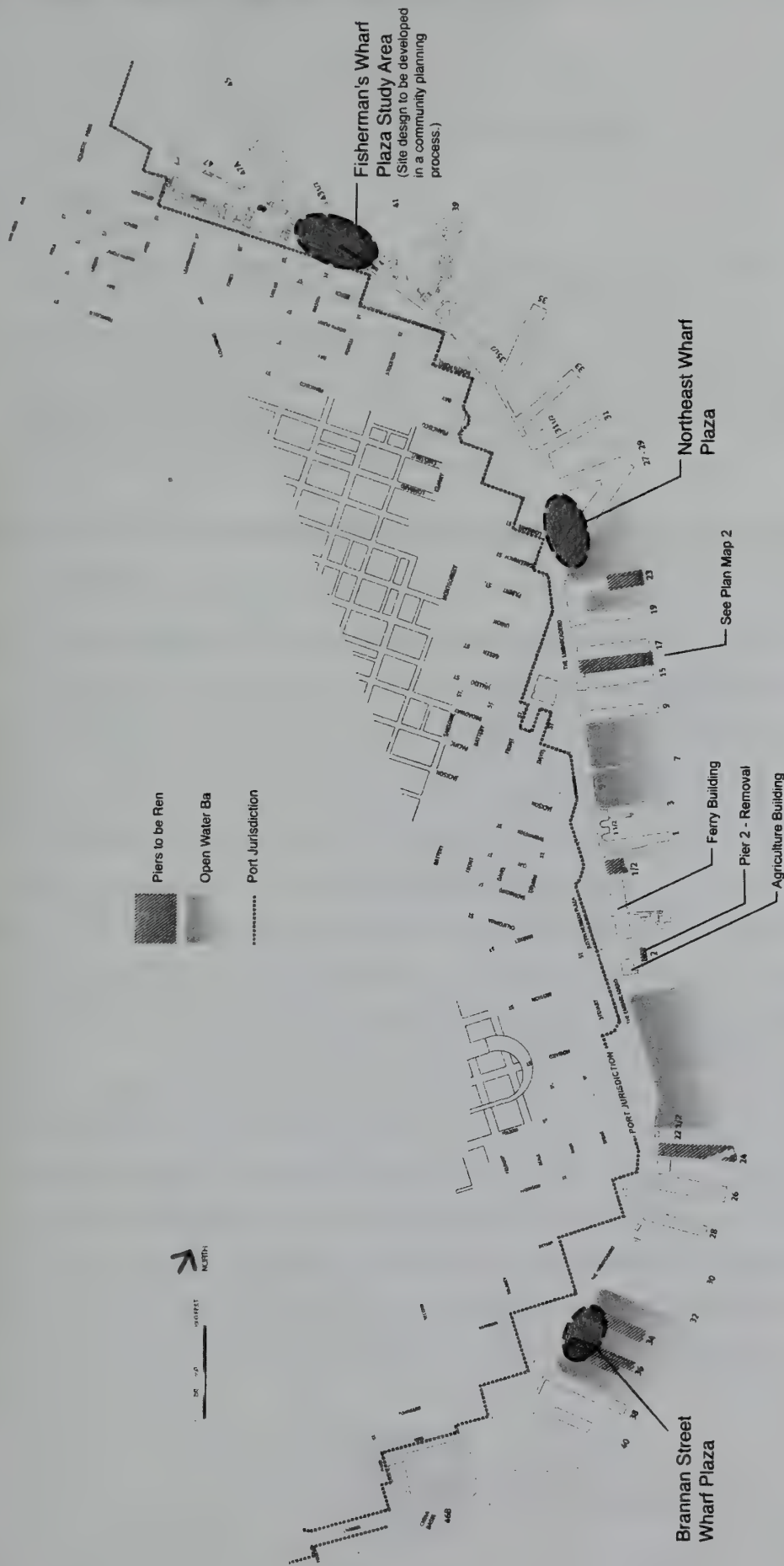
Prepared by: Diane Oshima, Asst. Deputy Director  
Planning & Development

Brad Benson  
Special Projects Manager

#### **Attachments:**

- 1 – BCDC SAP Map
- 2a – BCDC SAP Staff Report
- 2b – BCDC SAP Map Exhibits





**Figure 2:**  
Open-Water Basins, Open Water Areas  
and Public Plazas



# SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

50 California Street • Suite 2600 • San Francisco, California 94111 • (415) 352-3600 • Fax: (415) 352-3606 • www.bcdc.ca.gov

January 4, 2012

**TO:** Commissioners and Alternates

**FROM:** Steve Goldbeck, Acting Executive Director (415/352-3611 [steveg@bcdc.ca.gov](mailto:steveg@bcdc.ca.gov))  
Lindy Lowe, Senior Planner (415/352-3642 [lindyl@bcdc.ca.gov](mailto:lindyl@bcdc.ca.gov))

**SUBJECT:** **Draft Staff Report and Preliminary Recommendation for Proposed San Francisco Bay Plan Amendments 3-11 and 4-11 Concerning Changes to the San Francisco Waterfront Special Area Plan Open Water Basin, Public Plazas, and Public Access Policies; the Implementation Requirements Related to the Development of Pier 27 and Removal of the Pier 23 Shed; and Temporary Use of Open Water Basins.**  
(For Commission Consideration on February 2, 2012)

## **Preliminary Staff Recommendations**

The staff preliminarily recommends that the Commission:

1. **Bay Plan Amendment 3-11.** Amend the San Francisco Waterfront Special Area Plan by:  
(1) requiring a public process to be initiated by July 2012 and completed in July 2015 to preserve an open water basin and develop a public plaza in the Fisherman's Wharf geographic area; (2) add findings that explain the policy and implementation requirement changes; (3) modify the Open Water Basin Policies to: (a) delete the open water basin between Piers 19 and 27; and (b) require a planning process to identify a new open water basin within the Northeastern Waterfront (Pier 35 to China Basin) to replace the deleted open water basin; (4) provisionally delete the requirement to remove a portion of the Pier 23 shed, conditioned on the approval by BCDC of a new, substitute open water basin within the Northeastern Waterfront; (5) modify Public Plaza policies for Northeast Wharf Plaza to: (a) revise the view requirements around Piers 23 and Piers 29 and at Northeast Wharf Plaza; (b) modify the Pier 27 shed removal requirements; (c) delete the allowance for commercial active recreation use of Northeast Wharf Plaza and the requirement for waterside and small craft access in the plaza; and (6) modify the Plan Implementation Requirements to: (a) reflect completed requirements; (b) identify new public benefits and phasing; (c) accelerate the completion of the Northeast Wharf Plaza; (d) identify the phasing and parameters for creating a replacement open water basin within the Northeastern Waterfront (Pier 35 to China Basin); and (e) require a



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ATTACHMENT 2A





public process to identify strategies for addressing historic resources along the San Francisco Waterfront that have been closed to occupancy and use for public safety reasons.

2. **Bay Plan Amendment 4-11.** Amend the San Francisco Waterfront Special Area Plan by:
  - (1) adding findings related to the policy changes; (2) modifying the Open Water Basin Permitted Uses to allow the temporary use for the 34<sup>th</sup> America's Cup events; and
  - (3) requiring the public benefits to balance the impacts of the temporary use of the basins.

### **Proposed San Francisco Waterfront Special Area Plan Amendments**

**Bay Plan Amendment Application 3-11.** The Port of San Francisco has applied to the Commission to amend *San Francisco Waterfront Special Area Plan* ("SAP"), an element of the *San Francisco Bay Plan* (Bay Plan), in order to locate an international cruise terminal at Pier 27 and to retain the Pier 23 shed for future development opportunities. Locating an international cruise terminal at Pier 27 and retaining the Pier 23 shed will require amendments to the open water basin and public plaza policies in the SAP and the implementation requirements for Pier 27 and Pier 23.

**Bay Plan Amendment Application 4-11.** The Port of San Francisco and the America's Cup Event Authority, LLC have applied to the Commission to amend *San Francisco Waterfront Special Area Plan* (SAP), an element of the *San Francisco Bay Plan* (Bay Plan) to: (1) temporarily use the Brannan Street Wharf Open Water Basin to moor team racing yachts and several large, private yachts for the 34<sup>th</sup> America's Cup (AC34) Events; (2) temporarily berth large, private yachts in a portion of the Rincon Point Open Water Basin from the northern boundary of Rincon Park to Pier 14; (3) temporarily berth large, private yachts in the Broadway Open Water Basin; and (4) temporarily berth a variety of vessels in the Northeast Wharf Open Water Basin. The proposed uses are inconsistent with the current open water basin policies in the SAP. (See Figure 1)

Three of the four open water basins were also contemplated by the City of San Francisco and the America's Cup Event Authority for long-term uses, which are not the subject of this amendment, but are related to actions that are subject to this amendment. These long-term uses include:

- (1) a recreational marina in the Rincon Point Open Water Basin; the rights to negotiate the development rights would have been triggered by the dredging necessary for the temporary use that is the subject of this amendment. However, the Host and Venue Agreement was amended to remove this long-term marina development right for Rincon Point Open Water Basin and relocate it to Pier 54;
- (2) a recreational marina in the Brannan Street Wharf Open Water Basin; the rights to negotiate the development rights are triggered by the dredging necessary for the temporary use that is the subject of this amendment. The America's Cup Event Authority's holds rights to negotiate for development in this basin; and
- (3) a cruise ship terminal in the Northeast Wharf Open Water Basin, which is not the subject of Bay Plan amendment 4-11, but is the subject of amendment No. 3-11 initiated by the Commission on May 5, 2011, with a public hearing scheduled for February 2, 2012.



While the amendment request from the Port and the Event Authority only identifies the temporary use as the subject of the amendment request, it is important to evaluate the request, which includes dredging at Brannan Street Wharf, in the context of the right to negotiate long-term development rights that are triggered by dredging for the temporary use of this basin.

**Applicant's Purpose for Requesting Plan Amendment 3-11.** Over ten years ago, the Port of San Francisco identified Piers 30-32 as the ideal location of the future international cruise ship terminal for the City and County of San Francisco. This location was included in the 2000 amendment to the SAP. A proposal for a commercial recreation project on Pier 27 was also included in the 2000 amendments. BCDC approved a major permit for the Pier 30-32 cruise terminal in 2003 but, the Port's recent pier condition analysis showed that Piers 30-32 would require extensive rehabilitation for any project to occur there and the cruise ship terminal project was no longer financially feasible for that location. The analysis determined that Pier 27 was in good condition. Additionally, due to the size, apron length and width, adjacent channel and presence of infrastructure that would make it easier to provide shoreside power, Pier 27 was determined to be the best location for the City and County's primary international cruise ship terminal.

The pier condition analysis also concluded that Pier 23 was also in good condition. The 2000 amendment of the SAP required that a portion of the Pier 23 shed be removed and possibly a portion of the pier deck. The purpose of the removal was to enhance the Northeast Wharf Open Water Basin designated between Pier 19 and Pier 27 and to provide expansive views to the Bay from the Northeast Wharf Plaza and the Embarcadero. The determination that Pier 23 was in good condition and public concern about the removal of a contributing resource to the historic district motivated the Port to request the deletion of the requirement to remove a portion of the Pier 23 shed.

**Inconsistencies with Current SAP Objectives.** The siting of the primary cruise ship terminal at Pier 27 and the retention of the Pier 23 shed are inconsistent with the SAP in a number of ways. The berthing of cruise ships in the Northeast Wharf Open Water Basin: (1) is inconsistent with the permitted uses in the SAP for Pier 27; (2) requires security closures of pier-side open spaces, eliminating public access before, during and after ship calls; (3) significantly reduces the opportunity for improving views; and (4) eliminates the possibility of on-water recreation access at this site. A cruise terminal at Pier 27 will disrupt the relationship between the open water basin and the Northeast Wharf Plaza and Pier 27 apron access. These impacts result in the need to relocate the public benefits, public access and open water basin to another location between Pier 35 and China Basin.

**Alternative Public Benefits-Port Proposal and Staff Recommendations.** The Port and BCDC have worked together to identify public benefits that will be sufficient to offset the public benefits currently required by the SAP, but that will not be implemented as part of the cruise ship terminal project. In developing the public benefits package, meetings and discussions were held with Save the Bay, the Telegraph Hill Dwellers Association and San Francisco Tomorrow. Additionally, the interviews conducted with approximately 30 waterfront stakeholders and the summary findings that were presented to the Commission in May 2011 were also used to identify the public benefits that would be most consistent with perspectives of the stakeholders. Based on these discussions, the Port has proposed the following list of public benefits (*in italics*), with BCDC staff response following:

- *Remove the northeast portion of the Pier 27 shed and reconstruct the east wall of Pier 29 consistent with Secretary's Standards.* BCDC staff has indicated to the Port that the shed removal at both Piers 27 and 29 alone is an insufficient public benefit, because the resulting pier-end open space is far from the Embarcadero and, if not properly improved, would be infrequently visited by the public. However, if a new open water basin were established and improved along the northern edge of this pier-end open





space that would allow the public to have new views of the Bay opened up from the Embarcadero and the Promenade and improvements consistent with a public open space, this Pier end space may result in a public benefit associated with the cruise ship terminal. Determining whether this pier-end open space would constitute a public benefit is best achieved through the proposed planning process for identifying a new open water basin.

- *Either in conjunction with construction of Phase 2 improvements to the cruise ship terminal, or at a later date determined jointly by BCDC and the Port, increase the size of Northeast Wharf Plaza to include a Beltline piazza adjacent to the Embarcadero Promenade.* BCDC staff has indicated to the Port that the proposal to increase the size of the Northeast Wharf Plaza should not be considered an increase, but a partial offset for closing portions of the plaza for cruise activities and that this will also not be considered an additional public benefit. Also, the plan currently requires that the area around the Beltline Building should be improved and incorporated into the plaza.
- *Submit a plan for review by the BCDC Design Review Board (DRB) and the Waterfront Design Advisory Committee (WDAC) for use of the open water basin at the end of Piers 27 and 29 resulting from the removal of the northeastern portion of Pier 27 that addresses the wind impacts in this location and provides for public assembly, active recreation, water-oriented recreation, or other uses that take advantage of the panoramic views at this location.* BCDC staff has told the Port that the creation of a new open water basin to replace the Northeast Wharf Open Water Basin will require more than creating public access opportunities at the tip of Piers 27 and 29. A new open water basin will need to be designed to provide new opportunities for public access around the perimeter, provide new views to the Bay, expand opportunities for water recreation and transient berthing and create a new public plaza or open space adjacent to the new open water basin. The plan for the open space at the tip of Piers 27 and 29 should be developed in a public process that engages waterfront stakeholders and ultimately should be reviewed and approved by the Commission.
- *Implement phased public access improvements to Pier 27 and Pier 29 north apron and provide public access through Pier 29 or Pier 29 ½ to the Pier 29 apron, including a Bayside History Walk, triggered by a major permit for a new long-term lease or major rehabilitation project at Pier 29 or Pier 29 ½ or an earlier date agreed by BCDC and the Port.* BCDC staff has told the Port that if the public access through Pier 29 and Pier 29 ½ and along the Pier 29 apron, including the Bayside History Walk is to be considered a public benefit, it needs to be implemented prior to a major development at Pier 29. In order to consider this public access a public benefit, it would need to be made available to the public earlier than what is now required by the SAP. BCDC staff recommends that the Port make some of this public access available at the time of certificate of occupancy for the cruise ship terminal and some of it available within five years of certificate of occupancy to ensure that the public access is a public benefit. Based on current SAP policies, these public access areas will be required when Pier 29 is redeveloped, which would not result in additional public benefits. The staff also recommends that the Pier 29-1/2 access be included in the public benefit package.
- *Implement phased public access improvements to Piers 31-33 areas, triggered by a major permit for a new long-term lease or major rehabilitation project at Pier 31 or Pier 33 or an earlier date agreed to by BCDC and the Port.* BCDC staff believes that this proposal would conflict with the public process to plan for the appropriate public benefits at these or other piers and that it is important that the Port not contemplate a long-term lease at either of these sites, until the public process has resulted in a plan for these piers. Lease terms at these sites should be short in duration until the public process has been completed. As



proposed by the Port, the staff believes that the public access improvements at the Piers 31-33 area would not be a public benefit, but would be public access associated with these future leases and projects.

- *Submit a plan for review by the BCDC DRB and the WDAC for a new Open Water Basin at Piers 29-31, and potentially to Pier 33, which provides for water-oriented recreation access, triggered by a major new lease at one or more of these locations.* The review of the new open water basin at either Piers 29-31 or at another location between Pier 35 to China Basin, will require an amendment to the SAP and review and approval by the Commission, not only the DRB or the WDAC. Additionally, the public process should be triggered by the cruise ship terminal project, which is eliminating the existing open water basin, not by a major new lease at Piers 29-33. Additionally, the staff recommends that any new open water basin in this area should extend to Pier 33, not potentially extend to Pier 33.
- *If the Open Water Basin at Piers 29-31 (or Piers 29-33) and the open space at the end of Pier 29 is approved by BCDC, eliminate the requirement to remove the easternmost 315 feet of the Pier 23 shed.* Locating a cruise ship terminal at Pier 27 in the Northeast Wharf Open Water Basin eliminates the possibility of realizing the public benefits of an open water basin there. Therefore, the Port is required to find a new location for the Northeast Wharf Open Water Basin, whether or not the Pier 23 shed requirement is eliminated or implemented. However, if the Commission approves the new open water basin at Piers 29-33 or at another location between Pier 35 and China Basin, and a new public open space at the end of Pier 29 that meets the requirements of an open water basin regarding public access, public space, water recreation and transient berthing and views, then the staff recommends that the requirement to remove the easternmost 315 feet of the Pier 23 shed should be eliminated.
- *Develop design standards for phased improvements to the pedestrian and bicycle experience on the east and west side of The Embarcadero from China Basin to Fisherman's Wharf, in consultation with the San Francisco Planning Department, SFMTA and BCDC. These standards would improve the pedestrian experience by building wider sidewalks that allow for improved landscaping, public seating and opportunities for public art.* The interviews conducted jointly by the Port and BCDC made it clear that a large number of waterfront stakeholders would like to see improvements to the pedestrian and bicycle access on both the east and west side of the Embarcadero from China Basin to Fisherman's Wharf. However, the staff believes that timing and phasing, as well as the process for developing the standards would need to be incorporated into the SAP for this to be considered a public benefit for the cruise ship terminal project.
- *Implement phased, new openings to the Bay through Pier 19 ½, or phased removal of Pier 19 ½ in its entirety, with the option to build new maritime or other trust consistent facilities, including structures to support such uses within a portion of the existing footprint of Pier 19 ½, in Piers 19-23 basin. Such phased improvements would require the reconstruction of the north wall of the Pier 19 bulkhead and the westernmost portion of the Pier 19 shed, consistent with Secretary's Standards, and public access along the Pier 19 north apron, the Pier 19 ½ apron and the Pier 23 south apron, including a Bayside History Walk, timed with a new long-term lease of Piers 19-23 or an earlier date agreed to by BCDC and the Port. As is the case with the Pier 29 and Pier 29 ½ improvements, the staff recommends that the public access improvements at Piers 19, 19 ½ and 23 should only be considered public benefits for the cruise ship terminal project, if this public access were to occur earlier than what is currently required by the SAP. If the improvements were completed later with a major lease at one or more of these piers, then that would be public access required by that project and not a public*





benefit for cruise ship terminal project. BCDC staff has suggested that the public access and public benefit improvements to Piers 19, 19 ½ and 23 occur within 5 years of issuance of certificate of occupancy for the cruise ship terminal.

- *By a date to be determined jointly by BCDC and the Port, expand the Pier 43 Promenade Project to incorporate the renovation of the public plaza at the Pier 43 Historic Arch and adjacent areas, consistent with Secretary's Standards, to further improve public access and views along Fisherman's Wharf shoreline. For purposes of this requirement, no improvements that trigger a seismic upgrade will be required.* The Port and BCDC staff are in general agreement regarding the need for a public process that will result in more public space in Fisherman's Wharf—specifically a new open water basin in front of Pier 43 and a new public plaza in the area adjacent to Pier 43 that would serve to better connect the city to the Bay in this location. However, the staff recommends that the timing, parameters and outcomes of the public process would have to be better identified in order to provide a public benefit for the cruise ship terminal project. BCDC staff has suggested that this process be initiated by July 2012 and completed by July 2015.

**Applicant's Purpose for Requesting the Plan Amendment 4-11.** The America's Cup Event Authority and the Port of San Francisco requested an amendment to the SAP to allow the temporary berthing and mooring of assorted vessels in all four of the open water basins designated by the SAP. The temporary berthing of vessels associated with the America's Cup events in both 2012 and 2013 are currently inconsistent with the SAP and with the purpose of the open water basins as required by the SAP.

The SAP designated four open water basins from China Basin to Pier 35 in order to provide increased physical and visual access to the Bay, to provide open water adjacent to existing and proposed public open spaces and plazas, to provide public access along the perimeter of the open water basins and to provide opportunities for water-oriented recreation and transient berthing. The temporary berthing of vessels associated with the America's Cup prevent or frustrate many of these objectives by blocking views to the Bay, eliminating the opportunity for water-oriented recreation in most of the basins during the events and placing fill in the Bay to temporarily moor and berth vessels. Additionally, the length and magnitude of the America's Cup events are also inconsistent with the SAP. The length of mooring time, from approximately six months to 18 months, is longer than most temporary events, which often last a weekend. The magnitude of the event is large and the use of all four basins, the events along the San Francisco Waterfront both along the shoreline and in the water will dominate the waterfront for this amount of time.

BCDC staff requested that the Event Authority and the Port attempt to find alternative locations for the mooring and berthing of these vessels in order to avoid using the open water basins for this purpose. The alternative locations included Pier 80, Treasure Island and other areas along San Francisco's southern waterfront. The Port and the Event Authority were unable to find other suitable locations to moor and berth the vessels associated with the America's Cup for several reasons. The first is that the Event Authority stressed the importance of all of these vessels being in close proximity to the racing course, including the racing yachts, the private spectator yachts, the tender boats and the other boats associated with the events. The Event Authority did not feel that any of the alternative sites would be close enough to the race course to achieve the project objectives for the events.

Although the use of the open water basins remains part of the Event Authority and Port proposal, some areas were changed from the original berthing proposal. The original proposal was to use all of the Rincon Point Open Water Basin, the Brannan Street Wharf Open Water Basin and the Northeast Wharf Open Water Basin. BCDC staff believes that the area in front of Rincon Park should be left open to allow the public an area during the America's Cup Events that would not be dominated by the events and where the Bay would remain visible. At its





November 3, 2011 meeting, most Commissioners suggested that short and long-term use of this open water basin was inappropriate. The large, private yachts that were originally planned for the area in front of Rincon Park were moved to the Broadway Open Water Basin between Pier 9 and Pier 7 and in the area behind the ferry building north of Pier 14 ½.

BCDC staff met frequently with the Port, the Event Authority and the City, as well as stakeholders associated with water-oriented recreation and public access to develop the public benefits package for the America's Cup amendment. As with the public benefits package for the cruise ship terminal, the stakeholder interviews conducted in the winter of 2010 were also considered to determine possible priorities for improving the waterfront. In order to ensure that the public benefits balance with the use of all four open water basins during the America's Cup Events, the following benefits have been proposed to mitigate for the loss of the open water basins during the events:

- Removal of Pier 64 by March 2013;
- Removal of Pier ½ by March 2013 to provide improved public access and views prior to the 2013 America's Cup Events;
- Removal of the restaurant at Pier 2 and the provision of temporary public access on Pier 2 by March 2013 to provide improved public access and views prior to the 2013 America's Cup Events and the removal of Pier 2 as part of the Downtown Ferry Terminal Phase 2; and
- Provision of one or two water-recreation access sites along the San Francisco Waterfront by March 2013 to be available during the 2013 America's Cup Events and made available permanently after the events are over.

**Background.** The Bay Plan and SAP were amended in 2000 to alter BCDC's policies regarding fill removal and permitted use on piers, and this effort provided the opportunity to comprehensively plan the section of the waterfront from China Basin to Pier 35. The plan amendments were intended to strategically achieve the goals of the replacement fill policy, otherwise known as the 50 percent, rule rather than relying on a project-by-project approach. The amendments also set aside the McAteer-Petris Act requirement that uses on repaired piers must be water-oriented.

Prior to the 2000 amendment, the Bay Plan and SAP required that each project along the San Francisco waterfront that involved substantially rehabilitating a pier had to remove or provide public access on approximately 50 percent of that pier or another pier within the same geographic vicinity. By requiring that each project comply with the policy, both project and fill removal implementation was difficult and led to unreliable results. Fill may have been removed, but not in the most ideal locations. A site that was adequate for a certain project could be required to reduce its size and thereby eliminate the feasibility of the project. The new use requirements broadened the range of possible uses, and increased flexibility for the Commission, the Port and project proponents, increasing the likelihood that the waterfront would be developed with a vibrant mix of uses that served the community and the region.

A key purpose of the 2000 amendment to the SAP was to find the best locations for projects and the best locations for fill removal and, in a comprehensive plan amendment for the northeast waterfront, identify those locations and remove the requirement for each project to comply separately, which would likely have resulted in a haphazard approach to fill removal and to project design. The intent was to ensure that the result was a waterfront with accessible open water, public plazas, public access and viable project sites in a way that provided a rhythm of uses that complimented one another and provided public open spaces and views that complement and provide relief from the more intensely developed areas.



The overall objectives for the public benefits in the 2000 SAP amendment as identified in the findings for the SAP were:

- removal of deteriorating piers that pose a threat to navigation, and to public safety and health;
- restoration of significant areas of open water to enhance the ecological health of the Bay and to facilitate needed public recreation and access opportunities;
- completion of a waterfront-wide, integrated public access network, guided by a policy framework for expanding public access; design policies that promote low-scale development and preserve significant Bay views; an implementation program to fund and construct the plazas and pier removals; and enhancement of Bay views and opportunities to enjoy water areas adjacent to the Embarcadero;
- preservation of important and unique historic resources along the waterfront; and
- development of new uses to enable public enjoyment of the waterfront, including life safety and seismic improvements and repairs of existing piers.

The implementation requirements that ensure the public benefits required in the SAP include:

- Pier 34 removal within one year of adoption of amendments to the SAP or in July 2001 (*Completed*);
- Pier 24 removal within three years of adoption of amendments to the SAP or in July 2003 (*Removed most of the pier on a revised schedule approved by BCDC, delay caused by Migratory Bird Treaty, removal of remainder required to be completed by 2008, pursuant to 2003 BCDC permit*);
- Historic District Nomination by June 2002 (*Completed in May 2005, delays approved by BCDC*);
- Pier 36 removal within 15 years of the issuance of a certificate of occupancy for a major reuse of Piers 30-32, or a comparable development; (*Will be complete June 2012*);
- Brannan Street Wharf: 1) construct Phase 1 of the Brannan Street Wharf within 5 years of the issuance of a certificate of occupancy for a major reuse of Piers 30-32, or a comparable development and 2) complete the Brannan Street Wharf within 15 years of the issuance of a Piers 30-32 certificate of occupancy if funding is available, and within 20 years if funding is not available (*Port is planning to commence construction in 2011*);
- Northeast Wharf Plaza: construct Phase 1 of the Northeast Wharf Plaza upon the issuance of a certificate of occupancy for a major reuse of Piers 27-31, or a comparable development, by removing that portion of the Pier 27 shed required to create the Plaza, and 2) complete the Northeast Wharf Plaza within 15 years of the issuance of a Piers 27-31 certificate of occupancy, or a comparable development, if funding is available, and within 20 years if funding is not available (*this requirement will be the subject of the Port's request to amend the SAP for the cruise ship terminal project*);
- Pier 15-17 valley and non-historic shed removal within 20 years of the issuance of a certificate of occupancy for a major reuse of Pier 27 or a comparable major development (*modified by the Exploratorium amendment approved by the Commission in 2010; the Port and the Exploratorium are required to remove a portion of the valley and to remove fill equal to any remaining portion of the valley and non-historic shed additions in another location between Pier 35 and India Basin*);
- Portion of Pier 23 Shed removal within 15 years of the issuance of a Piers 27-31 certificate of occupancy or comparable development (*the subject of the Port's request to amend the SAP for the cruise ship terminal project*);





- Pier ½ removal triggered by Ferry Terminal Phase 2 development (*proposed changes as part of this amendment that would result in the removal of Pier ½ by March 2013 as part of the 34<sup>th</sup> America's Cup events*); and
- Pier 2 removal triggered by Ferry Terminal Phase 2 development or Agriculture Building renovation. (*proposed changes as part of this amendment that would result in the removal of the restaurant on Pier 2 by March 2013 to allow for the provision of public access during the 2013 34<sup>th</sup> America's Cup events and removal of Pier 2 by January 2015.*)

In order to approve an amendment to the SAP, the Commission must make the following finding: "[f]uture amendments of the SAP, as adopted on July 20, 2000, affecting the Northeastern Waterfront Area (Pier 35 to China Basin), may only be approved if the Commission finds that the revised public benefits and revised development entitlement would be in balance and the public benefits would be sufficient to warrant the Commission finding that the revised balance of public and private benefits would be necessary to the health, safety and welfare of the public in the entire Bay Area."

**Cruise Ship Terminal Amendment Proposal 3-11.** The proposed amendments for the cruise ship terminal impact many of the public benefits identified in the 2000 amendment to the SAP. The proposed amendment was initiated by a descriptive notice, which was mailed out on April 22, 2011. The hearing for the descriptive notice was held on May 5, 2011. There were two oral comments provided at the public hearing. The first, given by Ruth Gravanis for Teri Shore of Turtle Island Restoration Network, expressed concern regarding air quality impacts of the cruise ship terminal. Specifically, Ms. Shore's statement identified the dismantling of the shore side power that was recently installed at Pier 27 to allow for the 34<sup>th</sup> America's Cup Events and the inability of the Port to use this shore side power during the America's Cup events, would result in air quality impacts. Additionally, Ms. Shore's statement indicated that the mitigation that was required for the cruise ship terminal at Piers 30-32, which was not built, should be required for the cruise ship terminal at Pier 27. This mitigation included no dumping of waste water or ballast water, requirements for use of shore side power and cleaner fuels while in port, public reporting and monitoring of discharges and fuel quality used by the cruise ships. The second oral comment was from David Osgood of the Rincon Center Tenant's Association. Mr. Osgood expressed concerns that the cruise ship terminal project would result in reduced visual and physical access to the Bay.

There were a number of informal conversations and one formal meeting of the stakeholders to discuss the amendment proposal. The stakeholders expressed the same concerns about the proposal to amend the SAP for the cruise ship terminal as they did regarding the amendment of the SAP in early 2010 for the Exploratorium project. Specifically, they stated that they were concerned that amending the SAP for a project would compromise the public benefits and that the amendment should be approached comprehensively, moving beyond the project site for public benefits and policy changes. They also expressed that they would like the public benefits to occur in the Northeastern Waterfront, sooner than what is currently required in the SAP and as close to the project site as possible. Another important consideration for the stakeholders who were involved in the discussions was that the fill should be removed in a location where people would be able to enjoy it, rather than in a remote location with little public access. The balance between historic resource preservation and fill removal was also discussed with the stakeholders, as the Port's request to retain the Pier 23 shed and the Port's need to relocate the Northeast Wharf Open Water Basin may result in the need to remove sheds and piers that are currently designated as contributing resources to the historic district. Some of the stakeholders expressed concerns about removing contributing resources and others expressed the need to find a balance between historic resources and fill removal and open water. Both agreed that a public process to develop a better approach to deteriorating historic resources should be developed by the Port and BCDC. The stakeholders involved in the discussions included David Lewis of Save the Bay, Jennifer Clary of San Francisco Tomorrow and Aaron Peskin of the



Telegraph Hill Dwellers. Additionally, as stated previously, the results of the 35 stakeholder interviews conducted in late 2010 and early 2011 were also used to develop the approach and components for the public benefits package for the cruise ship terminal.

**America's Cup Amendment Proposal 4-11.** The proposed amendments for the 34<sup>th</sup> America's Cup Events address the short-term use of all four open water basins designated by the SAP. The amendment would allow for:

- The temporary use of the Northeast Wharf Open Water Basin for the temporary mooring and berthing of assorted vessels in the entire basin from May 2013 to September 2013. The fill associated with the temporary mooring and berthing will be removed no later than January 2014.
- The temporary use of a portion of the Broadway Open Water Basin, from Pier 7 to Pier 9, for the temporary berthing of large, private yachts from May 2013 to September 2013. The fill associated with the temporary berthing will be removed no later than January 2014.
- The temporary use of a portion of the Rincon Point Open Water Basin, from the northern boundary of Rincon Park to Pier 14, leaving views in front of Rincon Park unobstructed, for the temporary berthing of large, private yachts from May 2013 to September 2013. The fill associated with the temporary berthing will be removed no later than January 2014.
- The temporary use of the Brannan Street Wharf Open Water Basin for the berthing and mooring of team racing boats and large, private yachts from May 2012 to September 2013. The fill associated with the temporary berthing will be removed no later than January 2014.

In addition to the temporary uses associated with this amendment request, there was a right to negotiate long-term development in the Rincon Point Open Water Basin that was relocated to the Pier 54 area, and a similar right in the Brannan Street Wharf Open Water Basin that remains. These rights are described in the 34<sup>th</sup> *America's Cup Host and Venue Agreement* between the America's Cup Event Authority and the City and County of San Francisco. The long-term development rights for recreational marinas in both of these open water basins are inconsistent with the current SAP, and would require that new open water basin locations be found to replace the open water basins that would be eliminated by filling them with marinas.

The America's Cup amendment was initiated by a descriptive notice, which was mailed out on October 21, 2011. The hearing for the descriptive notice was held on November 3, 2011. There was one written comment and fourteen oral comments provided at the public hearing. The written comment was a joint letter signed by David Lewis of Save The Bay, Jennifer Clary of San Francisco Tomorrow and Jon Golinger of the Telegraph Hill Dwellers. The letter expressed concern regarding the request to amend the SAP for projects rather than a comprehensive amendment to the SAP and recommended that BCDC and Port staff review the stakeholder interviews for guidance on how to approach these amendments to the SAP. Additionally, these stakeholders urged the Commission to consider the amendments for the cruise ship terminal together rather than as separate amendments and to look at the following issues when considering these amendments to the SAP—ensure that the three open space plazas described in the SAP be completed by a date certain, protect all four open water basins and require mitigation for short-term loss and protect public access at public spaces from restrictions and require mitigation for short-term loss.

The oral comments were provided by:

- Julie Ring, representing Waterbar and Epic Restaurants who spoke in support of the amendment as currently proposed with the views from Rincon Park protected.





- Katy Liddell, the President of the South Bay Rincon Mission Bay Neighborhood Association and member of the Rincon Point South Beach Citizens Advisory Committee who spoke in opposition to permanent recreational marinas in either the Rincon Point or Brannan Street Wharf Open Water Basins.
- David Lewis, Executive Director of Save The Bay expressed concern regarding the current implementation of the SAP policies and the current proposal to amend the SAP for the America's Cup project. He described possible mitigation for the impacts to public access and SAP goals, including removing buildings behind the ferry building to open up views and public access both during and after the event.
- Corinne Woods, Co-chair of the Port Central Waterfront Advisory Group, a Port waterfront tenant, who stated that the Commission should require enforceable mitigation measures to offset the impacts of these short-term uses of the special areas, expressed concern regarding the America's Cup and its impact to Port revenue and spoke in opposition to permanent marinas in either Rincon Point or Brannan Street Wharf Open Water Basins.
- Paul Nixon, member of the Central Waterfront Advisory Group and member of the Board of Directors of Bay Access, expressed concern that different users of the Bay will not be able to use the Bay during preparations for and during the event, including the open water basins where the boats will be berthed and moored.
- Jennifer Clary, President of San Francisco Tomorrow expressed concern that the amendment would split the temporary and long-term uses and take a big piece out of the open water basins, a foundational component of the Special Area Plan. She requested that the Commission find a way not to use all four basins and find mitigation for the temporary use of the basins, creating new open water views.
- Christina Rubke, Vice-Commodore for the Bay Area Association of Disabled Sailors and member of the America's Cup Organizing Committee expressed support for the amendment.
- Bridgette LeBlanc, board member for the San Francisco African American Chamber of Commerce, stated that the America's Cup will benefit San Francisco businesses and add to the economic development for San Francisco and urged the Commission to support the amendment.
- Penny Wells, member of the Bay Access Board of Directors, expressed concern that there will be restrictions on access for small boats and for the ability of the public to get to the water. She requested an executive summary of proposed restrictions and limitations be presented along with the mitigation accompanying those limitations.
- William Robberson, the San Francisco Board Sailing Association also expressed concern regarding restrictions to access and urged the Commission to lead this discussion. He expressed support for an America's Cup event if it were done in a balanced way.
- Deb Self, Executive Director of San Francisco Baykeeper and member of the America's Cup Environmental Council expressed concern that the short-term impacts were being addressed in this amendment while the long-term impacts were not being analyzed and stated that she did not want the amendment to result in long-term impacts that are accidental and expressed opposition to recreational marinas in the Rincon Point and Brannan Street Wharf Open Water Basins.





- Brad Benson, Special Projects Manager with the Port of San Francisco urged the Commission to support the amendment and stated that the amendment was a temporary amendment and the fill associated with the amendments will be removed at the conclusion of the events and that the Port will continue to work to develop a public benefit package that retains the vision of the SAP.
- David Osgood, President of the Rincon Center Tenants Association, expressed opposition to both the short and long term use of the open water basins for mega-yachts, including the dredging associated with the short-term use, which he described as an incredibly destructive process.

Since the public hearing, there have been discussions with stakeholders regarding the amendment proposal, as well as a number of meetings with the Port, City and Event Authority staff to attempt to reduce or avoid the impacts of the current proposal and to find the appropriate mitigation measures for the impacts that cannot be reduced or avoided. Through these negotiations, the long-term marina use at Rincon Point Open Water Basin has been removed from the Host and Venue Agreement and the right to negotiate a recreational marina use has been moved to the area around Pier 54. A marina use at this site is consistent with the current policies in the SAP. Additionally, the public benefits proposal developed for the America's Cup events was guided by the public comments provided at the public hearing as well as discussions with stakeholders. These new public benefits include fill removal, the development of at least one and possibly two access sites for water-oriented recreation for use both during the America's Cup events and permanently after the close of the events, the early removal of the restaurant at Pier 2 prior to the 2013 America's Cup events to provide new views to the Bay and the early removal of Pier ½ prior to the 2013 America's Cup events to bring Bay views closer to Embarcadero and the Promenade. Additionally, the permit for the America's Cup will require a number of public access benefits, both long and short term.

New findings and policies in the SAP attempt to address some of the concerns raised by the public during public hearings for both the cruise ship terminal and the America's Cup events. A finding regarding the purpose of the open water basins and the importance of retaining their integrity is proposed, as well as findings regarding the need to provide public benefits for short-term uses of the waterfront that are in scale with the duration and magnitude of the events.

The new policies proposed for the SAP were designed to provide a public benefits package that would balance with the proposals to amend the plan for the cruise ship terminal and the America's Cup projects. The policies attempt to provide a comprehensive amendment to the SAP and span the San Francisco Waterfront from Pier 64 to Fisherman's Wharf. However, the policies also attempt to ensure that the new public benefits occur as close to the project sites as possible and also are required to be implemented sooner, or no later than, those that were required in the 2000 amendment.

The proposed policies proposed also include the requirement to conduct three future public processes to: (1) determine the location for a new open water basin to replace the one eliminated by the City and County of San Francisco's new cruise ship terminal, (2) develop a clearer process for managing historic resources along the waterfront; and (3) planning, designing and developing an implementation plan for a new public plaza and new open water basin in Fisherman's Wharf. These policies were designed to recognize the balance between amending the SAP in time to allow the America's Cup events to move forward without losing sight of the need to take a more comprehensive look at the SAP, particularly once the America's Cup events are completed to address several unresolved issues. These public processes must meet specific parameters and deadlines for completion to provide a level of certainty for the public and to avoid upsetting the balance of public benefits, which underpins the SAP. This balance must be maintained, or the Commission may set aside the SAP, and the regulatory changes embodied in it.



### **Preliminary Recommendation**

The staff preliminarily recommends that the Commission amend the SAP as follows:

#### **1. Proposed 3-11 Amendments to**

- a. Require a public process to be initiated in July 2012 and completed by July 2015 to develop an open water basin and public plaza in the Fisherman's Wharf geographic area;
- b. Add findings that explain the policy and implementation requirement changes;
- c. Modify the Open Water Basin Policies to: (a) delete the open water basin between Piers 19 and 27; and (b) require a planning process to identify a new open water basin within the Northeastern Waterfront (Pier 35 to China Basin) to replace the deleted open water basin; (4) provisionally delete the requirement to remove a portion of the Pier 23 shed, conditioned on the approval by BCDC of a new, substitute open water basin within the Northeastern Waterfront;
- d. Modify Public Plaza policies for Northeast Wharf Plaza to: (a) revise the view requirements around Piers 23 and Piers 29 and at Northeast Wharf Plaza; (b) modify the Pier 27 shed removal requirements; and (c) delete the allowance for commercial active recreation use of Northeast Wharf Plaza and the requirement for waterside and small craft access in the plaza;
- e. Modify the Plan Implementation Requirements to: (a) reflect completed requirements; (b) identify new public benefits and phasing; (c) accelerate the completion of the Northeast Wharf Waterfront Plaza; (d) identify the phasing and parameters for creating a replacement open water basin within Northeast Wharf (Pier 35 to China Basin); and (e) require a public process to identify strategies for addressing historic resources along the San Francisco Waterfront that have been closed to occupancy and use for public safety reasons;
- f. Modify Figure 2 Open-Water Basins, Open Water Areas and Public Plazas to reflect changes described above in a through e (See Figure 2);
- g. Modify Figure 3 Northeast Wharf Plaza to reflect changes to the planning area from Pier 19 to Pier 33 (See Figure 3);
- h. Modify Special Area Plan Map 1 to add new requirements for a planning process to develop an open water basin and a public plaza in Fisherman's Wharf planning area (See Figure 4); and
- i. Modify Special Area Plan Map 2 to reflect changes to the planning area from Pier 19 to Pier 33. (See Figure 5)

#### **2. Proposed 4-11 Amendments to:**

- a. Add findings related to proposed policy changes;
- b. Modify Open Water Basin Permitted Uses to allow the temporary use for the 34<sup>th</sup> America's Cup events;
- c. Modify Open Water Basin Policy 3 to allow the temporary use for the 34<sup>th</sup> America's Cup Events that will result in temporary fill to berth vessels;
- d. Require the following public benefits to balance the impacts of the temporary use of the basins; and
- e. Modify Special Area Plan Map 5 to add the requirement to remove Pier 64. (See Figure 6)





**Proposed Changes to the San Francisco Waterfront Special Area Plan for  
Bay Plan Amendment Nos. 3-11 and 4-11**

The SAP sections for the cruise ship terminal amendment would be modified by the proposed amendment. Proposed additions in language are shown as underlined, while proposed language deletions are shown as ~~struck through~~.

<b>PROPOSED POLICY: FISHERMAN'S WHARF (HYDE STREET PIER THROUGH PIER 39 AND EAST WHARF PARK)</b>	<b>STAFF ANALYSIS</b>
<p><b>Add underlined and delete <del>struck through</del> language as follows:</b></p> <p>Develop a major public plaza extending to the Bay and an open water basin within the Fisherman's Wharf area. The <u>Fisherman's Wharf Open Water Basin</u> should include a small craft launch to allow for water recreation and transient boating opportunities. <u>In order to identify the appropriate location and design of the plaza and open water basin, a working group involving Port tenants in the area, the Port, the San Francisco Planning Department, BCDC, local and regional interest groups and other interested parties should be formed to develop plaza and open water basin concepts. This planning process should be initiated by July 1, 2012 and should develop a plan that includes the Fisherman's Wharf Open Water Basin and Plaza design and financing by July 1, 2015. Following the implementation of the public plaza extending to the open water basin, in combination with the Port's removal of Pier 43 ½ and adjacent public access improvements at Jefferson Street, the Port may initiate an SAP amendment to request that the Commission substitute the Fills for Public Trust Uses policy for the Replacement Fill Policy (50% rule) in the Fisherman's Wharf geographic area. This would involve establishing a Fisherman's Wharf plaza planning process involving the tenants, Port of San Francisco Planning Department, BCDC, Save the Bay and other interested parties to address the many issues associated with a plaza at Fisherman's Wharf and to establish a plan and implementation program for effectuating the plaza as part of an overall review of the Special Area Plan policies in the Fisherman's Wharf area.</u></p>	<p>In order to ensure that the public benefits associated with the cruise terminal amendment are significant and comprehensive enough to balance the loss of the open water basin between Piers 23 and 27, the development of a planning process that would result in the provision of an open water basin and public plaza in the Fisherman's Wharf area was proposed by BCDC staff and agreed to by the Port staff. The proposal for a public process is a refinement and clarification of a current policy in the SAP and also recognizes the opportunity that the Port's removal of Pier 43 ½ provides for both an open water basin and plaza, but also for the elimination of the Replacement Fill Policy (50% rule) in Fisherman's Wharf, which would remove uncertainty and barriers to seismic and other improvements in Fisherman's Wharf and for other circulation improvements that are currently being evaluated by the City and County of San Francisco.</p>



**Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN) Base of Telegraph Hill Description**

Proposed Text Changes	Staff Analysis
<p><b>Add underlined language as follows:</b></p> <p>...the northernmost area contains a mix of uses that reflect the area's maritime history and its active transition to an urban and commercial district. Cargo shipping, warehousing and other maritime operations, including the international cruise ship terminal, the bar pilots and tugboat operations, still occupy some of the finger piers in this area. However, trends indicate that cargo shipping will continue to consolidate in the central and southern waterfront. Pier 31 has been closed to occupancy and use due to its advanced <u>deterioration</u>. Piers 9 to 33 are used for office uses, warehousing, including the foreign trade zone warehouse, incubator businesses, fish processing, parking, tour bus staging, excursion boat operations, surplus military ship berthing and various other uses. In general, these uses reflect the industrial, maritime character of the waterfront.</p>	<p>The addition of this language to the description of the Base of Telegraph Hill area acknowledges the Port's analysis of pier condition, specifically that Pier 31 has been closed to occupancy and use for public safety reasons.</p>
<p><b>Add underlined and delete struck-through language as follows:</b></p> <p>The Herb Caen Way promenade connects this area to the adjacent Fisherman's Wharf and Ferry Building areas and provides continuous physical public access through the area. Opportunities to expand public access include creating a significant plaza and improving access on each pier and the shoreline with development projects. Visual access to the Bay is limited, available only through the periodic breaks in the relatively continuous facade of historic bulkhead buildings in this area. Opportunities to open views in this area are limited by historic preservation goals, except for non-historic portions of Piers 27 and 29 and deteriorating sheds and piers where <u>rehabilitation is not feasible or pursued</u>, <del>one key location between Piers 23 and 29, where removal of significant portions of the Pier 23 and Pier 27 (non-historic)</del> sheds or piers could greatly enhance visual and physical access in this area.</p>	<p>The proposed change in language to this section of the Base of Telegraph Hill description is to acknowledge the change in opportunity for opening up views that results from the Port's analysis of pier condition, the relocation of the cruise ship terminal from Piers 30-32 to Pier 27, the intention to retain the Pier 23 shed and the intention to remove the entire Pier 27 shed and replace with a new building and to remove the non-historic portion of Pier 29.</p>





**Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN)  
South Beach Waterfront Description**

Proposed Text Changes	Staff Analysis
<p><b>Add underlined and delete <del>struck-through</del> language as follows:</b></p> <p>...extends from the northern edge of Pier 24-1/2 at the terminus of Harrison Street south to the Giant's baseball park <del>Pacific Bell Park</del>, adjacent to the Third Street Bridge at Pier 46B on China Basin. Piers in this area encompass a mix of uses, including maritime, industrial, office, dry boat storage, film production, moving and storage, open parking, occasional events, and other uses. The majority of Pier 24 and all of Pier 34 have been <del>are condemned, and their removal</del> removed, pursuant to the plan implementation requirements adopted in 2000 <del>offers the opportunity to improve</del> improving visual and physical access to the Bay. The three remaining historic bulkhead buildings along the shoreline reflect the Mission Revival (Piers 26-28) and Mediterranean styles (Pier 38), distinct from the monumental classical style of their northern neighbors. Seawall lots in the area are improved with residential uses, open parking lots, a park and <del>the Giant's baseball park Pacific Bell Park</del>.</p>	<p>The proposed change in language to the South Beach Waterfront description is to bring the SAP up to date regarding pier removal and the changes in the name of the Giant's baseball park.</p>





Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN) Findings	
Findings	Staff Analysis
<p><b>Add underlined language as follows:</b></p> <p>20. Since the 2000 amendment to the SAP, the Port has conducted a more thorough analysis of the condition of its piers and sheds. This analysis determined that Piers 30-32, previously planned as the future international cruise ship terminal for the City and County of San Francisco, will require significant rehabilitation prior to development. The assessment also determined that Piers 23 and 27 were in good condition, requiring little rehabilitation prior to development. A number of piers were also identified as being in failing or poor condition and in need of significant repair, including Piers 26, 28 and 31.</p>	<p>The new finding recognizes new information available to the Port, BCDC and other interested parties regarding the condition of the sheds and piers within the Port's jurisdiction. The findings of the Port's analysis have implications for this amendment, in that the findings regarding Piers 30-32, Piers 27-29 and Pier 23 are directly related to the requests to relocate the cruise ship terminal and to retain the Pier 23 shed. The finding also recognizes that several piers and pier sheds are in need of significant repair and intervention to avoid becoming a public health and safety hazard and result in ecological impacts to the Bay.</p>
<p><b>Add underlined language as follows:</b></p> <p>21. A number of public benefits identified in the 2000 amendment were predicated on the development of Piers 27-31 in a way that would result in the preservation of an open water basin adjacent to the Northeast Wharf Plaza, public access along the adjoining pier aprons, the removal of a portion of Pier 23 to open up views to the Bay from the plaza and the Embarcadero and boating access from the plaza to the open water basin. The relocation of the new international cruise ship terminal from Piers 30-32 to Pier 27 and the finding that Pier 23 is in good condition and could be developed, compromises many of the public benefits envisioned in 2000 in conjunction with the development of these piers, requiring that new public benefits be identified for this area of the waterfront that are equal to or better than the public benefits required by the 2000 amendment.</p>	<p>This finding describes the impacts that relocating the cruise ship terminal to Pier 27 has on the public benefits in the current plan and states that new public benefits would need to be found that are equal or better to those being eliminated or impacted by relocating the cruise ship terminal to this location in order for the Commission to continue to find that the regulatory changes adopted in the 2000 amendment are necessary to the public health, safety and welfare of the entire Bay Area, and warrant setting aside the otherwise applicable use policies of the McAteer-Petris Act.</p>



Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN) Findings	
Findings	Staff Analysis
<p><b>Add underlined language as follows:</b></p> <p>22. The 2000 amendment required the Port to nominate the Northern Waterfront Historic District <u>for listing on the National Register of Public Places. The District was listed on the National Register in 2005. The piers, sheds and other features identified as contributing resources to the Historic District are important to retain to the extent feasible. However, a Port-BCDC-sponsored public process is needed to develop a plan for those facilities that have been closed to occupancy and use for public safety reasons and that continue to deteriorate, to ensure that the deterioration does not result in public and environmental hazards, and that the integrity of the District is maintained rather than becoming an area characterized by extensive areas of deteriorating piers that are unusable.</u></p>	<p>The finding describes the process that was required and completed to list the Northern Waterfront Historic District from China Basin to Pier 35 on the National Register of Public Places. The finding goes on to recognize that the listing by itself does not ensure the protection of these resources and public process to develop a plan for facilities that have been closed to occupancy and use for public safety reasons is necessary to ensure both the integrity of the Northern Waterfront Historic District and the public health and environmental safety of the Port's lands.</p>
<p><b>Add underlined language as follows:</b></p> <p>23. Pier 27 is the most suitable location for a <u>new, international cruise ship terminal on the San Francisco waterfront due to its size, its apron length and width, structural integrity, and the availability of the infrastructure to easily supply the cruise ships with shoreside power. Other cruise ship berthing sites on the Northeastern Waterfront are also necessary to accommodate the annual ship calls. Sites that are viable as secondary sites for ship calls include Pier 35 and Piers 30-32.</u></p>	<p>The finding acknowledges the unique aspects of Pier 27 that make it especially suitable for a cruise ship terminal.</p>





Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN) Findings	
Findings	Staff Analysis
<p><b>Add underlined language as follows:</b></p> <p>24. The use of the San Francisco Waterfront for special events <u>may provide a unique opportunity to achieve several key objectives of the SAP, including bringing more people to the waterfront and increasing the public's enjoyment of the Bay. If special events use of the San Francisco Waterfront, including the designated open water basins, is consistent with the integrated public benefits identified in Finding 15, the use is temporary and provides public benefits to balance the temporary impacts which are commensurate with the size and duration of the event, then such a use could be found consistent with the SAP.</u></p>	<p>The finding describes the potential benefits of allowing special events along the San Francisco Waterfront and the types of public benefits that can offset the impacts of such special events that privatize public access areas and disrupt normal, ongoing public use and enjoyment of the waterfront. The finding clarifies that future use of the waterfront from Pier 35 to China Basin for special events could be consistent with the SAP if public benefits are provided that are within the scale of the proposed event.</p>
<p><b>Add underlined language as follows:</b></p> <p>25. <u>The 2000 amendment required four open water basins for the purpose of preserving or opening up views of the Bay, connecting public access and public plazas with the Bay, providing areas for temporary and transient berthing and mooring along the San Francisco Waterfront and creating opportunities to develop recreational access to the water. To maintain the balance of public benefits with public and private development, it is necessary that the area from China Basin to Pier 35 still contain four open water basins, without other permanent uses, such as marinas or cruise ship berthing, being sited in these open water basins. Proposals for non-conforming uses that prevent achieving the open water basin purposes in any of the designated open water basins can only be approved if a new, alternative open water basin within the area between China Basin and Pier 35 is identified and established through a future amendment of the SAP. The 2012 amendment establishes a policy requiring a public planning process and the timely identification of a substitute open water basin for the Northeast Wharf Open Water Basin.</u></p>	



**Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN) Findings**

Findings	Staff Analysis
<p><b>Add underlined language as follows:</b></p> <p>26. The removal of Pier 31 could create a <u>suitable replacement for the Northeast Wharf Open Water basin between Pier 29 and Pier 33. In combination with the removal of the shed at the tip of Pier 27-29 to create a pier-end public space, providing public access on the north side of Pier 29, opening Pier 29 1/2 public access and providing the Bayside History walk in Pier 29, the open water basin created here could provide similar benefits as those eliminated by developing the primary cruise terminal at Pier 27, eliminating the Northeast Wharf Open Water Basin and retaining the Pier 23 shed.</u></p>	

**Policies.** The proposed policy changes enable the reuse of certain piers along the Northeastern Waterfront and facilitate the implementation of a public benefits package. The public benefits include a program of pier removal to create open water, creation of two major public plazas, and the provision of on-pier public access, including a Bayside History Walk.

**Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN)**

Open Water Basins Permitted Uses	Staff Analysis
<p><b>Add underlined language as follows:</b></p> <ul style="list-style-type: none"> <li>• <u>Temporary use for the 34<sup>th</sup> America's Cup event that increases the public enjoyment and interest in the Bay and is developed consistent with Finding 15 of the SAP, including the provision of public benefits that balance the extent and duration of the temporary use.</u> (Policy expires June 30, 2014)</li> </ul>	<p>The policy provides the use of the open water basins from July 2012 to January 2014 for the 34<sup>th</sup> America's Cup events, if the project provides public benefits sufficient to offset impacts on public access and is consistent with the finding associated with the public benefits package required in the current SAP.</p>



Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN)	
Open Water Basins Policies	Staff Analysis
<p><b>Add underlined and delete struck-through language as follows:</b></p> <p>2. Preserve or create four Open Water Basins, including the removal of certain piers, to enable permanent enjoyment of the Bay at the following locations:</p> <p>a. In order to ensure the integrity of the public benefits provided for in this plan and to replace the Northeast Wharf Open Water Basin, the Port must identify and BCDC must approve in a subsequent amendment to this plan, a new location for the fourth open water basin within the Northeastern Waterfront (Pier 35 to China Basin) by December 31, 2015. The new open water basin should improve views to the Bay from the Embarcadero, provide an opportunity for increased water-recreation access to the Bay and be as close to Piers 27-29 as possible. If siting an open water basin between Piers 29 and 33 is found to be infeasible by a public process beginning no later than July 2012 and being completed no later than July 2015, the requirement to remove the Pier 23 shed, including at least 315 feet of the easternmost portion of the shed will remain until the location, planning and funding of a replacement open water basin is identified by the Port and approved by BCDC. No development may be authorized in the easternmost 315 feet of Pier 23 until BCDC has approved the replacement water basin in an amendment to the SAP. The "Northeast Wharf Open Water Basin" between Piers 19 and 27, including removal of a portion of the Pier 23 shed to improve Bay views. The removal of the Pier 23 shed should include at least 315 feet of the easternmost portion of the shed. Any additional removal should reflect the historic preservation goals of this plan, and the Port's and the City's plan policies. The Pier 23 deck supporting that part of the Pier 23 shed that would be removed, may be removed or may be retained and used for public access purposes, including transient and temporary non-commercial recreational boat berthing.</p>	<p>This policy identifies the process and parameters for the relocation of the fourth open water basin that results with the use of Pier 27 as a cruise ship terminal and the retention of the Pier 23 shed.</p>





### Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN)

Open Water Basins Policies	Staff Analysis
<p><b>Add underlined and delete struck-through language as follows:</b></p> <p>3. Within Open Water Basins, limit new fill to:</p> <ul style="list-style-type: none"> <li>a. mooring buoys and pile-supported or floating platforms for non-commercial, transient boats to provide shoreline access;</li> <li>b. <u>Temporary use for the 34<sup>th</sup> America's Cup Events requiring temporary fill to berth vessels. Fill will be placed in May 2013 and removed no later than January 2014, except within the Brannan Street Open Water Basin, where fill will be placed in May 2012 and removed no later than January 2014. In the Rincon Point Open Water Basin, the temporary fill should be limited to the area from Pier 14 to the northern boundary of Rincon Park (see Exhibit 1) to ensure that public views from Rincon Park and the Promenade will be unobstructed by berthed vessels. The public benefits required to balance the temporary impact to all four open water basins are: (1) the siting of at least one, permanent, accessible, small craft launch along the San Francisco Waterfront by March 2013 so that it can be used during the event and will be available for use after the event; (2) removal of Pier ½ by March 2013; (3) removal of the restaurant on Pier 2 by March 2013 and the provision of public access on this Pier to be made available for the event; and, (4) removal of Pier 64 by January 2015.</u></li> <li>c. berthing facilities, such as mooring dolphins and buoys, pile-supported or floating platforms, etc., for berthing of commercial vessels (vessels up to approximately 300 feet in length) and temporary ceremonial and visiting ships at the boundary of the Open Water Basins, as provided below:</li> </ul> <p>Policies d, e, f, g, h – no change</p>	<p>The policy provides for the duration and parameters of the temporary use of the open water basins for the America's Cup events and identifies the associated public benefits required to balance and reduce the impacts of the temporary use of the open water basins. The policy also restricts the area that may be used within the Rincon Point Open Water Basin temporarily for the America's Cup events.</p> <p>The policy providing the parameters for the Northeast Wharf Open Water Basin is being deleted in recognition that the public benefits associated with this open water basin must be relocated.</p>



Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN)	
Open Water Basins Policies	Staff Analysis
<p>i. <del>in the Northeast Wharf Open Water Basin, at Pier 27, facilities may be permitted for temporary berthing of ceremonial and visiting ships that do not extend landward of the Pier 27 shed (as partially removed to create the Northeast Wharf Plaza). At Pier 23, facilities may be permitted for lay berthing of boats on the south apron, provided berthing does not extend Bayward of the Pier 23 shed (as partially removed, see Open Water Basin policy 2 above);</del></p>	
Open Water Area Policies	Staff Analysis
<p><b>Add underlined and delete struck-through language as follows:</b></p> <p>1. Open Water Areas are those areas of the Bay not designated as Open Water Basins. Create new Open Water Areas as follows:</p> <ol style="list-style-type: none"> <li>remove Pier 24;</li> <li>By March 2013, remove a portion of Pier 1/2 as part of the <u>34<sup>th</sup> America's Cup Event project, Ferry Terminal Phase 2 development project</u>, retaining only that portion required for retaining a vessel berthing facility and public access;</li> </ol>	<p>This policy accelerates the requirement to remove Pier 1/2 so that is provided as part of the America's Cup project and is provided in time to be a public access, view and fill removal benefit for the public during the event.</p>
<p><b>Add underlined and delete struck-through language as follows:</b></p> <ol style="list-style-type: none"> <li>By March 2013, remove the existing restaurant at Pier 2 as part of the <u>34<sup>th</sup> America's Cup Event project and make this space available for public access during the event.</u> <del>Remove the northern portion of Pier 2 as part of the Downtown Ferry Terminal Phase 2 development project, either as part of: (1) the Agriculture Building improvement project or the Ferry Terminal Phase 2 development project, whichever comes first; or (2) any reconfiguration of the existing restaurant on Pier 2;</del></li> </ol>	<p>This policy accelerates the requirement to remove the restaurant at Pier 2 so that it is provided as part of the America's Cup project and is provided in time to be a public access and fill removal benefit for the public during the event. The provision of new public space during the event is particularly critical based on the number of people that are projected to visit the waterfront to enjoy the America's Cup events.</p>





Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN)	
Public Plazas Policies Northeast Wharf	Staff Analysis
<p><b>Add underlined and delete struck-through language as follows:</b></p> <ol style="list-style-type: none"> <li>1. Create a "Northeast Wharf Plaza," as a new, major, destination plaza between Piers 23 and 29 along The Embarcadero, opening up views from <u>the Embarcadero to the Bay, Lombard Street and The Embarcadero to the Bay, Yerba Buena and Treasure Islands, and the Bay Bridge.</u> The approximately 2-acre plaza should be designed to function as a major attraction for visitors and residents. In addition, provide open space around the Beltline Railroad Office Annex building, if it remains in its present location, and maintain unobstructed views from the Annex across the plaza to the Bay. <del>The Plaza should be oriented to the Open Water Basin between Piers 27 and 19.</del></li> </ol>	<p>The policy deletes reference to views that will not be available with the retention of the Pier 23 shed and the open water basin that will be relocated to another location within the Pier 35 to China Basin area.</p>
<p><b>Add underlined and delete struck-through language as follows:</b></p> <ol style="list-style-type: none"> <li>2. If the Pier 27 shed is not removed to <u>construct a new cruise ship terminal, then</u> <del>To create this plaza, remove</del> approximately 56,000 square feet of the Pier 27 shed (384 feet in length as measured from its southwest corner near Pier 23 and 224 feet in length as measured from the northwest corner near Lombard Street), and remove the Pier 27 Annex Building (the two-story, modern office building). See Figure 3 illustrating the plaza boundaries and footprint.</li> </ol>	<p>As part of both the America's Cup and cruise ship terminal projects, the Pier 27 shed is proposed to be removed and a new building constructed in its place. If the shed is removed, the detail regarding the development of the plaza and the amount of shed to be removed will be unnecessary.</p>



### Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN)

#### Delete struck-through language as follows:

3. Commercial Active Recreation Use of Northeast Wharf Plaza: In the event that the Pier 27/29 complex is developed as a private commercial facility for active recreation, (e.g., gymnastics, swimming, racquetball, etc.), and only in that event, an approximately 15,000 square foot portion of the Northeast Wharf Plaza may be used by the developer for commercial, outdoor recreation activities, provided that the following conditions are met:
  - a. the 15,000 square foot area is confined to the area located and illustrated on Figure 3;
  - b. the commercial use serves an important active recreation need of the residents of the City and of the Bay region;
  - c. the commercial use complements or enhances the public use and enjoyment of the Plaza;
  - d. the project sponsor recognizes and agrees that this designated area is part of the Plaza, and that the commercial use should complement or enhance its function as a public park;
  - e. the project sponsor submits an Outdoor Area Use Plan as part of its initial permit application to BCDC, and a proposed Outdoor Area Use Program on an annual basis thereafter, to be reviewed jointly by the BCDC and Port Design Review Boards;
  - f. structures or fixtures may be erected as part of the commercial activities, only if they are integrated into the overall design and contribute to the public enjoyment of the area, when made available for general public use. Such structures or fixtures should not impair or obstruct views to the Bay from The Embarcadero or from other vantage points within the Plaza and should be approved by the BCDC and Port Design Review Boards. Any temporary structures or fixtures used as part of the commercial activity must be removed as soon as the activity ceases;

During the 2000 amendment to the SAP, there was a proposal to develop a commercial recreation use at Piers 27-29. That proposal is no longer relevant and the policy pertaining to the proposal should be deleted.



Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN)	
<p>g. <del>no barriers are erected to prevent cost free public access to the area when commercial activities are not occurring;</del></p> <p>h. <del>the area does not serve as a storage area for temporary structures, fixtures or apparatus serving the commercial use;</del></p> <p>i. <del>significant periods of time during the year are set aside when no commercial activity occurs within the designated area, during which time the area functions solely as part of the larger Plaza.</del></p>	
<p><b>Add underlined and delete struck-through language as follows:</b></p> <p>4.3. The Plaza design should be consistent with the following criteria:</p> <p>policies a and b-no change.</p> <p>e. <del>the Plaza should provide for water side uses, such as temporary, small craft tie ups and hand held boat launching. Create connections with the water's edge such as ramps, stairs or docks that allow users to easily access the Bay;</del></p>	<p>The current SAP emphasizes the importance of the relationship between the Northeast Wharf Plaza and the adjacent open water basin. With the siting of the cruise ship terminal at Pier 27 and the associated relocation of the open water basin, the references to the relationship between the Northeast Wharf Plaza and the adjacent open water basin are no longer relevant.</p>
Plan Implementation Requirements	Staff Analysis
<p><b>Add underlined and delete struck-through language as follows:</b></p> <p>4. The Port will:</p> <p>Implementation Requirements a and b, no change</p> <p>c. <u>remove Pier 34 within one year of BCDC's adoption of amendments to the SAP (completed);</u></p> <p>d. <u>remove Pier 24 within three years of BCDC's adoption of amendments to the SAP (partially completed);</u></p> <p>Implementation Requirements e, no change</p>	<p>Updates the status of the implementation requirements c and d.</p> <p>Clarifies the linkages between public benefits and pier redevelopment projects.</p>





### Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN)

**Add underlined and delete struck-through language as follows:**

- f. upon Port issuance of a certificate of occupancy for the major reuse of Piers 27-~~31~~, or a comparable major development on adjacent piers, in addition to that provided for in Implementation Requirement 4-e above, carry out the following public benefits:
  - i) complete Phase 1 of the Northeast Wharf Plaza by removing that portion of the Pier 27 shed required to create the Plaza and make it, the pier perimeter area, and the area adjacent to The Embarcadero, as shown in Figure 2 "Northeast Wharf Plaza," accessible and useable by the public prior to the Port issuing a certificate of occupancy for a large development on Piers 27-~~31~~, or a comparable major development on adjacent piers. If the cruise ship terminal or other maritime use is developed at Pier 27, provide pier perimeter public access to the north apron of Pier 29, a Bayside History Walk through Pier 29 or Pier 29 ½ connecting the Embarcadero Promenade to the north apron of Pier 29 and Phase 1 of the pier end open space at Pier 27-29. Within five years of certificate of occupancy for the cruise ship terminal at Pier 27, provide public access on the north apron of Pier 19, the south apron of Pier 23, the Pier 19 ½ apron, the Pier 29 ½ apron and provide public access through the Pier 19 ½ and the Pier 29 ½ connector buildings.

The new language in this implementation requirement describes the relocation of public benefits and public access associated with the siting of the cruise ship terminal at Pier 27 and timing of these public benefits and public access.



**Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN)**

**Add underlined and delete struck-through language as follows:**

- ii) complete the Northeast Waterfront Plaza upon issuance of a certificate of occupancy for the cruise ship terminal at Pier 27 ~~within 15 years~~ if necessary grants or other funding are available, or ~~within 20-11 years~~ if necessary grants or other funding are not available;

The proposed change to this implementation requirement accelerates the completion of the Northeast Wharf Plaza by either 15 years or 9 years, making it available to the public almost a decade sooner in either case.

**Add underlined language as follows:**

- iii) in order to replace the open water basin eliminated by the cruise ship terminal project, identify a shed and/or pier to remove that will contribute to the development of a new open water basin within the area from Pier 35 to China Basin and as close to Pier 27 as feasible. A public planning process and financing plan for this new open water basin and planning for Phase 2 of the pier end open space at the end of Piers 27-29 should begin in July 2012 and be completed by July 2015. Phase 2 of the pier end open space at the end of Piers 27-29 should be implemented within 11 years of issuance of occupancy for the cruise ship terminal of a long-term lease of Pier 29. The pier or shed removal within the replacement open water basin should be completed within 15 years of issuance of occupancy for the cruise ship terminal at Pier 27, or remove the portion of the Pier 23 shed consistent with the Open Water Basin policies of this SAP within 15 years of a major development at Pier 27 or a comparable major development on an adjacent pier;

The changes to this implementation provide the parameters and the timing of the planning process for relocating the open water basin eliminated by siting a cruise ship terminal at Pier 27 and retaining the Pier 23 shed. The requirement to remove the Pier 23 shed remains if the replacement open water basin is not completed within 15 years of issuance of occupancy for the cruise ship terminal at Pier 27.





Proposed Changes to NORTHEASTERN WATERFRONT (PIER 35 TO CHINA BASIN)	
Policies g. and h. no change	
<p><b>Add underlined language as follows:</b></p> <p>i. The Port will initiate preparation of nomination materials for a Northern Waterfront Historic District from China Basin through Pier 35 to be listed on the National Register of Historic Places. The nomination will be submitted no later than June 30, 2002, and the Port will strive to submit the nomination by June 30, 2001 (completed);</p>	Updates the status of the implementation requirement.
<p><b>Add underlined language as follows:</b></p> <p>j. by July 2015, the Port should initiate a planning process to identify strategies for ensuring that the contributing resources to the Northern Waterfront Historic District are either <u>rehabilitated or removed within a certain number of years of being closed to occupancy and use in order to protect both the historic resources along the waterfront and public health and safety and Bay ecology.</u></p>	This new implementation requirement provides for a public planning process to develop an approach to ensuring piers and sheds that are closed due to deterioration are managed in a way that protects the integrity of the historic district and public health and safety and Bay ecology.
Re-letter policies j-l as k. through m.	

Proposed Changes to SOUTHERN WATERFRONT	
Southern Waterfront Pier 52. Policies	Staff Analysis
<p><b>Add underlined language as follows:</b></p> <p>1. <u>As part of the 34<sup>th</sup> America's Cup events public benefits, improve the small craft launch at Pier 52 to make it accessible to all small craft users by March 2013 and permanently thereafter.</u></p>	Identifies a location for the one of the small craft launches that will be provided as part of the America's Cup project.
Central Basin Policies	Staff Analysis
<p><b>Add underlined language as follows:</b></p> <p>2. <u>When no longer needed for maritime activity, Pier 64 should be developed for a park and marina use in accordance with, but no limited to, the provisions of the Recreation and Open Space Plan of the City of San Francisco. As part of the 34th America's Cup events public benefits, remove Pier 64 by March 2013.</u></p>	The policy identifies the fill removal required as part of the America's Cup project public benefits package.



### Staff Analysis

In determining whether or not to recommend that the Commission initiate an amendment to the SAP for these projects, staff analyzed the amendment requests to determine if amending the plan was necessary to achieve the objectives of the projects and if the projects were broadly consistent with the goals and objectives of the SAP, the McAteer-Petris Act and the Bay Plan.

The Port's request to amend the plan to relocate the cruise ship terminal from Piers 30-32 to Pier 27 is a reasonable request based on the relative viability of each site and the need for a primary cruise ship terminal in San Francisco to serve the demand for this water-oriented use. A comprehensive analysis of its condition demonstrated that Piers 30-32 would require significant rehabilitation for any new development. The Pier 27 site was found to be in good condition and in need of minor rehabilitation. The Pier 27 site also provides a long and wide apron adjacent to large water basin that would be advantageous for the berthing of cruise ships. The site is large and would allow for the necessary ground transportation and provisioning areas and the city's infrastructure would make it relatively easy and cost-effective to establish shoreside power at the site. Based on all of these factors and the general support in the SAP, the McAteer-Petris Act and the Bay Plan for maritime uses within Port lands and along the shoreline, the request to amend the SAP to relocate the cruise ship terminal to Pier 27 was determined to be broadly consistent with the goals and objectives of BCDC's regulatory framework. The Commission adopted a descriptive notice on May 5, 2011 to initiate Bay Plan Amendment No. 3-11 to consider modifying the SAP to allow the location of a cruise terminal at Pier 27.

The Port and the Event Authority application to amend the SAP to allow for the temporary use of the open water basins to berth and moor vessels associated with the 34<sup>th</sup> America's Cup Events was initially problematic based on certain components in the request. The original amendment request included the use of all four open water basins, leaving only a portion of the Broadway Open Water Basin from Pier 7 to Pier 3 without vessels. BCDC staff felt that even temporary use of all four open water basins would have significant impacts on views and public access for four months or longer that would be inconsistent with the broad goals and objectives of the SAP, the McAteer-Petris Act and the Bay Plan. Through negotiations with the Port, the City and the Event Authority, the amendment request was revised to reduce the use of the Rincon Point Open Water Basin to leave the views in front of the park open and to berth boats only adjacent to Pier 14, north of Rincon Point Park. The revised amendment request also included public benefits for fill removal, shed removal and improved water-recreation access to balance the temporary impacts of the events. BCDC staff acknowledged that the America's Cup events would provide the public and the region with an international event that could draw more people to the Bay shoreline and provide for more opportunities to enjoy and learn about the Bay. With the revisions to the amendment request, the request for the staff concluded that temporary use of the open water basins for the America's Cup events would be broadly consistent with the goals and objectives of BCDC's regulatory framework. The Commission adopted a descriptive notice on November 3, 2011 to initiate Bay Plan Amendment No. 4-11 to consider modifying the SAP to allow the temporary use of open water basins to accommodate the 34<sup>th</sup> America's Cup Race.

**SAP Amendment Framework.** The SAP provides a framework for evaluating amendments affecting the Northeastern Waterfront. The amendment process is described in the Northeastern Waterfront Plan Implementation Requirements; requirement 4-1 states, in part that "[f]uture amendments of the SAP, as adopted on July 20, 2000, affecting the Northeastern Waterfront Area (Pier 35 to China Basin), may only be approved if the Commission finds that the revised public benefits and revised development entitlement would be in balance and the public benefits would be sufficient to warrant the Commission finding that the revised balance of public benefits would be necessary to the health, safety and welfare of the public in the entire Bay Area." The amendment process does not state that the public benefits must be restricted to





the Northeastern Waterfront, nor does it establish fill or shed removal ratios for the any fill removal offsets that occur outside of the Northeastern Waterfront. The amendment process also does not proscribe ways to provide alternative public access or public benefits in the event that a maritime or other use eliminates or impairs existing public access, benefits or views. The framework provides the Commission with broad discretion to determine how to achieve the balance of public benefits and development entitlements, but strictly requires that the balance be maintained.

The second fundamental issue raised by the proposed amendments, and by several members of the public who have provided comments about both projects, is whether the amendments can be accomplished by focusing on reducing impacts and improving benefits at the project sites or if the proposals require a more comprehensive analysis and update of the SAP. In analyzing this issue, it is important to compare the proposed benefits to the public benefits currently required by the SAP and also to describe the Port's success in delivering public benefits as required by the plan. The public benefit requirements associated with the sites that are the subject of the amendments for the cruise ship terminal and the America's Cup events are critical components of the public benefits package in the SAP and it is possible that amending these requirements could frustrate the provision of other benefits and make it difficult to maintain the balance of public benefits and the development of these projects as described in the amendment requests.

In assessing the integrity of public benefits package required by the current SAP, it is important to determine the status of the Port's provision of public benefits to date. The background section of this staff report lists the status of the other public benefits required in the SAP. With the exception of the removal of approximately 14,000 square feet of Pier 24, the Port has completed the public benefits within the required timeframes and as described in the SAP. This includes removing Pier 34, removing the majority of Pier 24 and listing of the Embarcadero Historic District on the National Register. The Port is also pursuing funds and planning for a number of the other public benefits required by the SAP, such as Brannan Street Wharf, and Pier 36 removal, which were both approved by the Commission in November and the Port is seeking funds for and has developed a conceptual design for the Northeast Wharf Plaza, working with BCDC staff and stakeholders.

It is also important to evaluate the recent amendment to the SAP in conjunction with the proposed amendments to ensure that there are no unintended cumulative impacts that may create an imbalance of entitlements and public benefits. Also, it may be appropriate to integrate additional guidance regarding future plan amendments, especially since the staff proposal contemplates near-term future amendments regarding public benefits.

The SAP has been amended once since the 2000 amendment established the public benefits package and implementation requirements. This amendment, approved by the Commission on December 3, 2009, was for the Exploratorium project. The amendment permitted the Port to reduce a fill removal requirement between Piers 15 and 17 and provide off-site fill removal at another location along the waterfront outside the Northeastern waterfront. The amendment resulted in reduced fill removal between Piers 15 and 17.

The Commission determined that the residual fill removal requirement at Piers 15-17 still provided many of the benefits that the larger amount of fill removal would have achieved, e.g., providing Bay access closer to the Embarcadero Promenade, providing public access around the open water area and improving views to the Bay from public access vantage points. The revised public benefits also required that fill be removed at an off-site location within the Port's jurisdiction sufficient to offset the retained fill. The Commission concluded that the amendment did not require a comprehensive approach to the SAP and determined that the overall benefits of the on and off-site fill removal requirements maintained the overall balance of benefits and entitlements.





The 2009 amendment provides some guidance for future amendments because the off-site fill requirement established ratios for fill removal, depending on whether the fill removal would occur within the same geographic area of the waterfront. The 2009 amendment provided that if the removed fill was within the same geographic area, close to the project site and/or removed sooner than what was originally required in the 2000 amendment, then less fill removal would be required. Conversely, more fill removal was required if the removed fill was outside the geographic area, far from the project site and was not completed within the timeframe established in 2000.

Based on this analysis, the staff recommends that the Commission adopt a phased approach to amending the SAP that accommodates the accelerated schedules of cruise ship terminal and the America's Cup events in phase 1, but requires a comprehensive approach to amending the SAP in the second phase, which includes providing benefits throughout the lands within the Port's jurisdiction and comprehensively reviewing the amendments to ensure that the cumulative impacts do not result in an unintended erosion of public benefits and that the public benefits to be added to the SAP as a result of this and a subsequent amendment will work together to provide a package of public benefits than may result from only a project by project amendment.

**34<sup>th</sup> America's Cup Project Proposal.** Bay Plan Amendment No. 4-11 to the SAP for the America's Cup project would enable the Commission to allow the event sponsors to temporarily use portions of all four open water basins to moor and berth vessels associated with the America's Cup events. The Commission could authorize use of portions of Rincon Point Open Water Basin, portions of the Broadway Open Water Basin and all of the Northeast Wharf Open Water Basin for the 2013 events provided the fill would be in place from approximately May 2013 to January 2014. All of the Brannan Street Wharf Open Water Basin could be used for the 2012 and 2013 events and the fill could only be in place from approximately May 2012 to January 2014.

The primary impacts associated with the temporary use of these open water basins include impacts to views of the Bay, increased intensity of use along the San Francisco Waterfront, impediments and restrictions on water-recreational access at these sites, impacts to Bay species that may use these open water basins, both from the active use, and the placement of fill and dredging in the Bay. The proposed public benefits were designed to balance these impacts by: (1) removing fill at Pier 64, and accelerating fill removal at Pier ½ to provide for more open water in these locations; (2) accelerating removal of a building currently used as a restaurant at Pier 2 to provide more public Bay views and public access along the Bay in time for the America's Cup; and (3) providing improved and increased access for water-recreation at several locations along the San Francisco Waterfront.

By providing public benefits along the waterfront that include new and accelerated fill removal, accelerated public view improvements and increased water-recreation access that will also be available in time for the events, the staff believes the public benefits proposal provides a balance to the temporary impacts that will be associated with the event. Additionally, the proposed restriction on where and for how long the berthing may occur in the open water basins also ensures that public benefit of these open water basins will not be lost on a long-term basis.

The long-term development rights associated with the America's Cup project are not the subject of this amendment. The staff believes that some of the projects in the agreement are inconsistent with the SAP. If the Port, City or Event Authority pursues projects that are inconsistent with the SAP, subsequent environmental review and amendment of the SAP will be required. The original host and venue agreement included the rights to negotiate long-term marinas in both the Rincon Point Open Water Basin and the Brannan Street Wharf Open Water Basin. Since the Commission initiated this plan amendment, the host and venue agreement was amended to remove the rights to negotiate a marina at Rincon Point. The rights to negotiate a



marina at Brannan Street Wharf remain in the host and venue agreement and would require an amendment to the SAP before the Commission could authorize such a project. Additionally, the proposed finding associated with this amendment attempts to provide more clarity and certainty regarding the appropriate uses of the four open water basins designated by the SAP.

By changing the amendment request to reduce the original impacts at the Rincon Point Open Water Basin associated with the amendment, by reducing the potential long-term inconsistencies related to marina rights and by requiring that the temporary use of the open water basins be off-set with benefits that will permanently reduce fill, improve views and provide more access to water-recreation opportunities, staff believes that the balance of public benefits is maintained by Bay Plan Amendment No. 4-11. Additionally, the America's Cup events will provide an opportunity for the Bay Area public, visitors and people around the world to have a new experience of the Bay and provide them with an opportunity to discover or re-discover the San Francisco Waterfront and the Bay. Increasing opportunities to enjoy the Bay and bringing more people to the San Francisco Waterfront and Bay shoreline are both important objectives of the SAP, the McAteer-Petris Act and the Bay Plan.

**Cruise Ship Terminal Project.** The purpose of Bay Plan Amendment No. 3-11 to the SAP for the cruise ship terminal project is to allow for: (1) the relocation of the City and County of San Francisco's proposed primary cruise ship terminal from Piers 30-32 to Pier 27; (2) the retention of the Pier 23 shed; (3) the deletion and relocation of the Northeast Wharf Open Water Basin; and (4) the relocation of public access and public plaza benefits from Pier 27 and the Northeast Wharf Plaza. Public access that was planned along the southern apron of Pier 27 and at the end of Pier 27 and 29 would be closed approximately half of the year, due to cruise ship terminal activity. Bay Plan Amendment No. 3-11 would allow the Commission to authorize a cruise terminal project that reduced public access on Pier 27, restricted use of public plaza open spaces, limited views to the Bay from the plaza and the Embarcadero Promenade and eliminated the opportunity for water-recreation access from the Northeast Wharf Plaza. The amendment would also result in a new, much needed cruise terminal to serve as the city's primary cruise facility, re-establishment of shoreside power at this cruise ship terminal and a new public plaza, public access and view improvements at Pier 27.

The Pier 27 site is one of the best sites along the San Francisco Waterfront for the city's primary cruise ship terminal. However, the SAP identifies Pier 27 as the location of a number of the public benefits required by the 2000 amendment. At that time, the Port had planned to locate the primary cruise ship terminal at Piers 30-32 in a large mixed-use project, and a mixed commercial/recreation project at Piers 27 and 29. The public benefits required at Piers 27 and 29 were compatible with the proposed mixed commercial/recreation project. The relocation of the primary cruise ship terminal to Piers 27 and 29 results in a number of conflicts between the industrial, maritime use of a cruise terminal, which requires restrictions on public access and public use for safety and security reasons and the public benefits that were required at the site by the 2000 amendment.

**Alternative Public Benefits.** If the cruise ship terminal is to be relocated to Pier 27, the public benefits will also need to be relocated. Due to the conflicts between the cruise terminal and public access and the public plaza, a new open water basin, new public access areas, new opportunities to water-recreation access, new Bay views from the Embarcadero Promenade and other public spaces and new plaza and open spaces will need to be incorporated into the SAP public benefit requirements. The proposed amendment includes a number of new public benefits that will provide these qualities. The amendment will require that certain public access areas be provided sooner than originally required in the SAP at Piers 29, 29 ½, 19, 19 ½ and 23. A public process to plan, design and implement public open spaces at the end of Piers 27-29, Piers 31-33 and Fisherman's Wharf will be conducted by the Port, BCDC, leaseholders and other interested parties. New views will be developed that will create new views at Pier 19 ½, 29 ½ and other locations along the waterfront. A new open water basin will be created in







Fisherman's Wharf between Pier 45 and Pier 41 and a public process to plan, design and implement a new open water basin in the Northeast Wharf area from Pier 35 to China Basin, possibly from Pier 29 to Pier 33, will be conducted by the Port, BCDC, leaseholders and other interested parties. The two new open water basins will provide increased opportunities for water-recreation access, transient berthing and improved public access and views to bring the public closer to the Bay.

Additionally, the new and existing public benefits are also timed to occur sooner than currently required in the SAP. During the amendment process for the Exploratorium and the interviews with San Francisco Waterfront stakeholders, one of the issues frequently mentioned was the need to provide more of the public benefits sooner than what was originally required by the SAP and that providing benefits such as public access, fill removal, public plazas and views sooner was a tangible benefit. Some of the benefits that will be provided sooner as a result of this amendment include Phase 2 of the Northeast Wharf Plaza, the Bayside History Walk at Pier 29, public access at Pier 29, 29 ½, 19, 19 ½ and 23.

The amendment also requires the development of several public processes to plan, design and implement a public open space at the end of Piers 27 and 29, an open water basin and public plaza in Fisherman's Wharf near Pier 43 and an open water basin within the Northeastern Wharf area from Pier 35 to China Basin and a management approach for deteriorating historic piers. The requirement for planning processes recognizes the need for a comprehensive approach that includes public participation and input.

Based on the need to amend the SAP to accommodate the America's Cup events in 2012 and 2013, there is insufficient time to conduct the comprehensive planning processes necessary to identify the specific public benefits associated that would offset benefits being lost. However, the proposed time requirements and triggers associated with these public processes ensure that public benefits will be provided in timely fashion and at desirable sites. As described earlier in this section, the Port has been an active partner in the process of providing the public benefits required by the SAP. With the exception of the delay in removing a portion of Pier 24, all of the public benefits required have been completed by the Port on time. The staff believes that the requirement for comprehensive planning with required outcomes at specific sites is not substantially different than a requirement to remove fill or nominate a portion of the waterfront as a historic district. Based on past performance, these requirements will be conducted on time as well.

The package of public benefits associated with the cruise ship terminal amendment is designed to balance the public benefits with the development rights within the Northeast Wharf area of the waterfront. By requiring new benefits that will improve and increase views, public access, water-recreation access, public open spaces, and provide for several public processes for significant new areas of improvement along the waterfront, as well as providing that the benefits occur earlier than currently required, the staff believes that the balance of public benefits is maintained by the amendment. While the SAP does allow for amendments, it provides little guidance on how to carry out such amendments except for the requirement that the public benefits are developed at an equal or greater rate to the development along the waterfront. Based on the proposed amendment, staff recommends that the Commission find that the revised public benefits and revised development entitlement would be in balance and the public benefits would be sufficient to warrant the Commission finding that the revised balance of public and private benefits would be necessary to the health, safety and welfare of the public in the entire Bay Area and that the cruise ship terminal, which is an important maritime use to accommodate within Port lands, can be relocated at Pier 27 and the public benefits that will be relocated to other areas of the waterfront are significant enough to balance the impacts associated with the siting the cruise terminal at Pier 27.



### Consistency with the McAteer-Petris Act

As described above, the Commission relied upon its authority pursuant to section 66632(f) of the McAteer-Petris Act to protect the "health, safety and welfare of the entire Bay Area" to approve the 2000 amendment to the SAP, which was otherwise inconsistent with certain provisions of McAteer-Petris Act. Subsequently in 2001, in Chapter 489, the state legislature declared that the amendments to the *San Francisco Bay Plan* and the SAP by the Commission in 2000 were authorized under Section 66632(f) of the McAteer-Petris Act as necessary to protect the health, safety and welfare of the entire Bay Area. The findings that the Commission relied upon to make this determination included SAP Northeastern Waterfront Finding 14, which found that in order to achieve the objectives of the McAteer-Petris Act, such as Bay protection and public access, an amendment to the SAP would be required that would relax restrictions on uses while providing a variety of public benefits. These benefits would have to be sufficient to warrant BCDC to exercise its authority to set aside these use limitations on new Bay fill across a portion of the Northeastern Waterfront in the interests of the health, safety or welfare of the public in the Bay Area. SAP Northeastern Waterfront Finding 15 identified these public benefits to include the removal of deteriorating piers, the restoration of significant areas of open water, a public access network, Bay views, public plazas, historic preservation and the development of new uses to enable public enjoyment of the waterfront, including life safety and seismic improvements and repairs of existing piers. SAP Northeastern Waterfront Finding 16 stated that "[t]he public benefits described above could not be attained through application of BCDC's existing regulatory regime. Restrictions limiting the repair, reconstruction or redevelopment of piers would prevent these benefits from being achieved since there is limited demand for exclusively water-oriented uses." Finally, SAP Northeastern Waterfront Finding 20 states that the Commission finds that the amendments to the SAP are necessary to the health, safety and welfare of the public in the entire Bay Area.

Based on the findings above, in order to be consistent with the McAteer-Petris Act in this case, the proposed amendment needs to maintain the public benefits included in the SAP, by either implementing them as required, or by proposing new public benefits that are equal to or better than those required in the SAP prior to amendment. The proposed amendment to relocate the cruise ship terminal to Pier 27 from Piers 30-32 and to retain the entire Pier 23 shed maintains a balance of public benefits envisioned by the SAP by relocating public access and public benefits to other locations with the Port's lands, by providing a number of public benefits earlier than originally envisioned in the SAP and by not allowing the elimination of the requirement to remove the Pier 23 shed until a public planning process has identified a new location for shed removal associated with a new open water basin. By providing public access and public benefits both on the site of the new cruise ship terminal at Pier 27 that are consistent with the cruise ship terminal use and committing to the provision of public access and public benefits at other locations within the Port's lands, the amendment will result in maintaining the balance of public benefits on which the current SAP is based and the proposed amendment is consistent with the findings of the SAP and with the objectives of the McAteer-Petris Act.

The America's Cup amendment also needs to maintain the public benefits included in the SAP, by either implementing them as required, or by proposing new public benefits that are equal to or better than those required in the SAP prior to amendment. The proposed amendment to temporarily use the open water basins for berthing and mooring of vessels associated with the 34<sup>th</sup> America's Cup events maintains a balance of the public benefits envisioned by the SAP by





providing long-term improvements along the waterfront, including fill and shed removal and increased opportunities for water-recreation. Additionally, the proposal was modified to reduce inconsistency with the SAP by removing the portion of the amendment requesting to berth large yachts in front of Rincon Park. By modifying the amendment request and providing public benefits to respond to the duration and magnitude of the temporary use open water basins, resulting in maintaining the balance of public benefits on which the 2000 amendment to the SAP was based, the proposed amendment is consistent with the findings of the SAP and with the objectives of the McAteer-Petris Act.

For all these reasons, the staff recommends that the Commission determine that proposed Bay Plan Amendment Nos. 3-11 and 4-11 are consistent with the findings and declarations of policy contained in the McAteer-Petris Act.

### **Environmental Assessment**

The proposed amendment must meet the requirements of the McAteer-Petris Act and the Commission's standards for environmental review through an Environmental Assessment. Environmental Assessments are prepared in conformance with the Commission's regulations (CCR, Title 14, Section 11511-11512), which have been certified by the Secretary of Resources as functionally equivalent to the California Environmental Quality Act (CEQA). The Environmental Assessment describes the potential environmental impacts of the proposed SAP amendment at a programmatic level. Staff has reviewed and submitted public comments on the 34<sup>th</sup> America's Cup and James R. Herman Cruise Terminal and Northeast Wharf Plaza Final Environmental Impact Report (FEIR). Information contained in the FEIR, as summarized below, provides a significant basis for the staff analysis in the Environmental Assessment of the proposed SAP amendments. The staff concludes that there will be no significant, adverse impact on the environment that could not be mitigated, from relocating a cruise ship terminal at Pier 27 or by holding the America's Cup events along the San Francisco Waterfront, provided that the mitigation measures included in the FEIR are implemented and the public benefits provided as a part of both projects enable the Commission to make the finding necessary to amend the SAP. The City and County of San Francisco, as the lead agency for both the America's Cup and the Cruise Ship Terminal Projects, certified the FEIR for the project on December 15, 2011. The certification was appealed to the Board of Supervisors, which will hear it on January 10, 2012. If the Board accepts the issues raised in the appeal and does not certify the FEIR, then the Commission will postpone the February 2, 2012 public hearing on the SAP amendment until after any substantiated deficiencies in the FEIR are remedied and the FEIR is certified.

The FEIR included a discussion and analysis of project variants that would provide a package of public benefits for both the America's Cup and cruise terminal projects and would result in addressing the impacts to the public benefits envisioned by the current SAP in a way that would balance impacts to views, public access, public open spaces and open water basins. The analysis found that the project variants would result in less-than-significant impacts, except for the long-term development of marinas at Rincon Point Open Water Basin and the Brannan Street Wharf Open Water Basin. The development of recreational marinas at both of these locations was found to have the potential of a significant, immitigable impact. Since the FEIR was written, the project no longer includes the potential for a marina at Rincon Point Open Water Basin. The potential for the America's Cup Event Authority to negotiate for a marina at the Brannan Street Wharf Open Water Basin remains in the project, but would require a





separate CEQA analysis and would be subject to a separate and future SAP amendment. Additionally, the finding addressing temporary uses in open water basins proposed for this amendment to the SAP clarifies how the open water basin policies and implementation requirements should be interpreted, making it more difficult to site a recreational marina in an open water basin without replacing that open water basin to another location along the Port's lands from Pier 35 to China Basin.

The potential environmental impacts associated with the temporary use of the open water basins for berthing and mooring of vessels associated with the 34<sup>th</sup> America's Cup Events include impacts to views, recreational use and ecology. The public benefits package associated with the project includes the removal of Pier 64 to improve Bay ecology and public health and safety in the Bay, the provision of a small craft launch to improve recreational access to the Bay during and after the event, the removal of a shed on Pier 2 to improve views of the Bay and the removal of Pier ½ to improve Bay ecology, public health and safety and Bay views.

The potential environmental impacts associated with the relocation of a cruise ship terminal from Piers 30-32, where the SAP originally contemplated the primary cruise ship terminal, to Pier 27 are not significantly different from those envisioned by the current SAP except with respect to the public benefits that were supposed to result at the Pier 27 and Pier 29 site. The use originally contemplated by the SAP was a commercial recreation use that would have resulted in similar impacts to transportation and views. The relocation of the primary cruise ship terminal to Pier 27 does result in the elimination of a designated open water basin, reduced water-recreation opportunities for the public and reduced public access and public open space opportunities along the Pier 27 apron, the Northeast Wharf Plaza and the pier end open space at Piers 27-29, significant portions of which will be closed approximately half of the year to accommodate cruise ship terminal activity. However, SAP currently contains policies, which contemplate the possibility of the closure of public access in association with maritime activities, and requires that any public access that must either be reduced or eliminated due to maritime activity must be relocated to another part of the Port's lands. The amendment includes sites for the relocation of public access and public benefits and develops two planning processes at Fisherman's Wharf and within the Northeastern Waterfront from Pier 35 to China Basin, that would result in a balance of the public benefits lost as part of this amendment.

The retention of the entire Pier 23 shed has visual impacts that are inconsistent with the SAP. The removal of a portion of the Pier 23 shed was designed to create new views to the Bay from the Embarcadero Promenade, the planned Northeast Wharf Plaza and from different vantage points within the city, as well as support the open water basin between Piers 19 and 27. The siting of a cruise ship terminal at Pier 27 eliminates the potential for an open water basin between Piers 19 and 27 and also results in blocking views from the promenade and the plaza. At this time, it is not possible for BCDC staff to find that the public benefits associated with this amendment will result in balancing out the impact of retaining the Pier 23 shed. This amendment provides the opportunity for the Port to find a new location for the open water basin and for shed removal that will result in similar or better views from the Embarcadero Promenade, other vantage points within the city and public open spaces and open water basin benefits that will provide opportunities for water-recreation access, transient berthing, and public access and open space interaction with the Bay.

The City and County of San Francisco, as the lead agency for the Final Environmental Impact Report for The 34<sup>th</sup> America's Cup and James R. Herman Cruise Terminal and Northeast Wharf Plaza, State Clearinghouse Number 201102204. The City and County of San Francisco found the following within the FEIR:



**Visual Impacts-Cruise Ship Terminal.** At present, the existing Pier 27 and 29 sheds and the Pier 27 Annex building and the historic Pier 29 Belt Line office building block all views of the Bay from The Embarcadero at Piers 27 and 29. As noted in the FEIR, the removal of the Pier 27 shed, the end of the Pier 29 shed, and the Pier 27 Annex buildings for the proposed Cruise Terminal and Northeast Wharf Plaza would open views of the Bay, Yerba Buena Island, Treasure Island, and Angel Island from The Embarcadero. As such, the FEIR concludes that the proposed Cruise Terminal and Northeast Wharf Plaza would have largely beneficial effects on scenic and visual resources compared to existing conditions.

Under the proposed SAP amendment, the easternmost 315 feet of the Pier 23 shed could be retained. As a result, views of the Bay from the future Northeast Wharf Plaza would not be improved to the extent contemplated under the existing SAP. In addition, cruise ships berthed at Pier 27 under the proposed project would partially block views of the Bay from the future Northeast Wharf Plaza in conflict with SAP Open Water Basin policies. However, the amendment requires that a new open water basin be identified by the Port and approved by BCDC between Piers 35 and China Basin prior to eliminating the requirement to remove a portion of the Pier 23 shed and in order to provide new views, water-recreation opportunities and public access improvements.

Additionally, the proposed SAP amendment would reduce future improvements to Bay views at the Northeast Wharf Plaza and Open Water Basin as described above, it would instead provide new improvements to Bay views not afforded under the existing SAP. These improvements would include:

- A public process to plan, design and implement a potential, future Open Water Basin at Piers 29-33, that provide for water-oriented recreation access or at another location from Pier 35 to China Basin and new public views of the open water basin, wherever located.
- New views to the Bay through Pier 19½, or removal of Pier 19½ in its entirety.
- New views to the Bay through Pier 29 ½.
- A public process to plan, design and implement a future open water basin and connecting public plaza in Fisherman's Wharf.

**Visual Impacts-America's Cup.** Under the proposed SAP amendment, temporary berthing of large spectator boats, sponsor boats, race support vessels, and/or racing yachts in the Broadway, Rincon Point and Brannan Street Wharf Open Water Basins would affect views of the Bay from adjacent shoreline areas. In response to comments from BCDC staff, the Event Authority revised the project description to relocate the proposed floating docks within the Rincon Point Open Water Basin to the north end of the basin leaving the views of the Bay at this location largely unobstructed. With this modification and because the proposed vessel berthing within the Broadway, Rincon Point and Brannan Street Wharf Open Water Basins would be temporary and limited in duration, the FEIR concludes that the resulting impacts on visual resources would be less than significant. However, the amendment includes several public benefits to improve views to the Bay permanently and in time for the event. These visual improvements include fill removal at Pier ½, shed removal at Pier 2 and fill removal at Pier 64.

While the proposed berthing within the Open Water Basins for the AC34 events would be temporary, the AC34 events also trigger potential long-term development of a marina in the Brannan Street Wharf Open Water Basin which could have potential impacts on public views and visual quality. As discussed in the FEIR, the AC34 Host and Venue Agreement between the City and Event Authority provides for future long-term marina development rights after





conclusion of AC34. Future marina development in the Brannan Street Wharf Open Water Basin would conflict with SAP policies, which reserve this area for public views of open Bay waters, water-recreation access and ecological benefits of open water basins. Any such future development would be subject to a subsequent amendment of the SAP that would need to be approved by the Commission as well as separate project-level CEQA review.

**Water Quality and Biological Resources-Cruise Ship Terminal.** Bay Plan Amendment 3-11 to the SAP does not add a cruise ship terminal along the San Francisco Waterfront. The current SAP contemplates a cruise ship terminal at Piers 30-32, which would have generally the same water quality and biological resource impacts as those which will occur instead at Pier 27. While the water quality and biological resource impacts do not change as a result of the cruise ship terminal use along the waterfront, the elimination of the Northeast Wharf Open Water Basin could have water quality and biological resource impacts that were not contemplated by the SAP. However, the amendment requires that the Port identify and the Commission approve a new open water basin within the area between Pier 35 and China Basin, which would provide these water quality and biological resource improvements at a site near the one that was contemplated by the current plan. Implementation of this water basin will be subject to environmental review at the project level, which will identify specific impacts associated with implementation and avoidance or mitigation measures that address those impacts.

The FEIR found that at present, Pier 35 functions as the Port's primary cruise ship terminal with Pier 27 serving as the secondary terminal when more than one cruise ship is in port at the same time. Under this amendment, Pier 27 would become the Port's primary cruise ship terminal and Pier 35 would be used as the secondary terminal. The total number of cruise ship calls would remain the same. As presented in the FEIR, with the implementation of feasible mitigation measures, this reversal in the role of the Port's two existing cruise terminal locations would not result in significant impacts on marine species or habitats. The dredging associated for the cruise ship terminal use is maintenance dredging that has already been authorized by BCDC permits.

With respect to the cruise ship terminal use, the FEIR found that potential water quality impacts related to operation of the cruise terminal and Northeast Wharf Plaza include discharges from cruise ships using the terminal and potential contributions to combined sewer overflows, as well as pesticide use for landscaping. The FEIR determines that implementation of water quality protection measures required under existing state, federal, and international regulations would ensure that water quality impacts related to cruise ship discharges would be less than significant. As stated in the FEIR, the Northeast Wharf Plaza and Cruise Terminal projects would incorporate stormwater management features consistent with the Port's Stormwater Design Guidelines and runoff from the Cruise Terminal and Northeast Wharf Plaza would not be discharged to the City's combined sewer system. As such, the FEIR concludes that neither the Cruise Terminal nor the Northeast Wharf Plaza would have a significant impact on water quality related to increased wet weather combined sewer overflows. The FEIR also concludes that due to the minimal area of potential pesticide use, the low risk of mobilization by runoff, and existing federal, State, and local regulations governing safe use of pesticides in a manner that minimizes environmental harm, water quality impacts relating to pesticide use at the Cruise Terminal and Northeast Wharf Plaza would be less than significant.

**Water Quality and Biological Resources-America's Cup.** Uses of the Northeast Wharf, Broadway, Rincon Point and Brannan Street Open Water Basins for the America's Cup that would be allowed under this amendment would involve dredging, pile driving, installation (and subsequent removal) of temporary floating docks and gangways, and temporary mooring of racing yachts, team and sponsor support boats, and spectator yachts. The FEIR evaluates the



potential water quality impacts related to all of these uses, concluding that through compliance with existing regulatory requirements and implementation of feasible mitigation measures identified in the FEIR, potential impacts on water quality from dredging and construction activities in the Bay and use of the open water basins by race-related and spectator vessels would be less than significant.

The temporary use of the open water basins provided for under this amendment for race-related and spectator vessels could have adverse impacts on sensitive marine species and habitats related to dredging, pile driving, and the introduction or spread of non-native invasive species. The FEIR evaluates each of these potential effects and determines that compliance with existing regulatory requirements and implementation of feasible mitigation measures identified in the FEIR would ensure that the temporary use of the open water basins for the America's Cup would not have a significant impact on marine species or habitats.

However, the amendment also includes fill removal at Pier ½ and Pier 64 which would be permanent improvements to water quality and biological resources that would occur in time for the event. Removal or replacement of creosote-treated pilings with non-toxic materials would result in a long-term improvement in water quality, although temporary water quality effects could occur during removal due to re-suspension of sediments containing organic compounds from the sediments, and debris potentially produced during removal. However, removal activities would be conducted in accordance with applicable regulatory permits, which would require the project sponsor to implement standard best management practices to minimize disturbance of sediment, and to prevent discharges of debris or pollutants during fill removal activities. The FEIR concludes that with implementation of water quality protection measures required under existing state and federal regulations, water quality impacts related to removal of creosote-treated piles and remnant wharf/piers would be less than significant.

Fill can also be used as habitat by a number of marine species. The pilings proposed to be removed may be colonized by sessile and mobile marine invertebrates such as mussels, barnacles, oysters, encrusting sponges, tunicates, crabs, sea stars, anemones, and other species. In addition, disruption of Bay muds during removal could result in localized increased turbidity and the release of toxic compounds. However, the FEIR concludes that the long-term habitat benefits from removing creosote-treated pilings from the Bay would outweigh potential adverse effects from temporary disruption of sediment and the removal of artificial habitat. Additionally, a new, permanent roosting area would be sited in the area around where Pier 64 was removed to replace this habitat use.

**Public Health and Safety and Recreation-Cruise Ship Terminal.** As stated previously in this Environmental Assessment, Pier 27 currently serves as the Port's secondary cruise ship terminal and the SAP currently contemplates a cruise ship terminal at Piers 30-32. Given these facts, the relocation of the cruise ship terminal to Pier 27 would have similar public health and safety impacts as those found under the current plan. The primary difference between the proposed amendment and the current SAP is the elimination of the Northeast Wharf Open Water Basin, which would reduce the opportunities for water-recreation and public access at the Pier 27 site and alter the use of the Northeast Wharf Plaza, which was planned with the adjacent open water basin in mind. The requirement to replace the open water basin at a new site from Pier 35 to China Basin and to design and implement the new open water basin to include the same visual, water-recreation and public access improvements that were required in the current SAP, reduces the impact of the project on recreation and relocates the recreation opportunities to another site along the Northeast Waterfront. Additionally, the new plaza and open water basin in Fisherman's Wharf will result in new water and land recreation opportunities in an area of the waterfront that has a lot of visitors and few public open space and water-recreation opportunities.





The closure of the public access, portions of the Northeast Wharf Plaza and the pier end open space at Piers 27-29 has potential impacts on recreation. However, the current SAP contemplates the temporary closure or elimination of public access adjacent to certain maritime uses if necessary for public health and safety. The plan requires that this public access be relocated to other sites along the waterfront and this relocation is included in this plan amendment to occur at Piers 19, 19 ½, 23, 29 and 29 ½.

**Public Health and Safety and Recreation-America's Cup.** Although none of the open water basins contain existing improvements or facilities supporting recreational uses, the temporary use of the open water basins provided for under this amendment for America's Cup race, support, and spectator vessels could conflict with use of these areas for other water-related recreational uses, such as kayaking or other transient boating use. The FEIR found that because use of the open water basins for the America's Cup would be limited in duration and would not affect existing recreational facilities, the impact of the proposed amendment on water-oriented recreation would be less than significant. However, in order to balance the public benefits and with the impacts associated with the project, the amendment includes the requirement that one or two new or improved, accessible, water-recreation access be sited along the San Francisco Waterfront in by March 2013, in time for the America's Cup 2013 events and available permanently after.

Removal of fill required by amendment associated with the America's Cup project at Pier ½ and Pier 64, as described above would improve public health and safety by removing potential navigational and public health and safety hazards. Removal of fill at the locations identified may also enhance recreational use of the Bay for boating and other water-oriented recreational uses by increasing open water along the San Francisco shoreline.

**Cultural Resources-Cruise Ship Terminal Project.** The amendment for the cruise ship terminal project, which includes the request to retain the Pier 23 shed, results in a number of changes to the public benefits package and results in new locations for projects and planning processes within the San Francisco Waterfront Historic District, both of which could have implications for contributing resources to the Historic District.

Public access provisions and improvements at Pier 19, 19 ½, 23, 29, 29 ½ should be designed and implemented to be consistent with Secretary's Standards. The planning process at Piers 29 to 33 may result in impacts to contributing resources, specifically Pier 31. Pier 31 is a contributing resource to the San Francisco Waterfront Historic District, but is currently closed to all activity due to structural deficiencies and the Port does not have the resources to rehabilitate the structure. Pier 31 has significant deficiencies and is a small pier and shed, making it less attractive to investors to repair and re-use it. In contrast, Pier 23 which the SAP currently requires be removed, is in good condition and requires little rehabilitation to re-use and lease.

The removal of a portion of the Pier 23 shed was a compromise that was agreed to in the 2000 amendment to the SAP, which required both the removal of a portion of the Pier 23 shed to contribute to the Northeast Wharf Open Water Basin that was designated from Pier 19 to Pier 27 and to improve views from the plaza and the Embarcadero and the nomination of the San Francisco Waterfront Historic District. The historic district was designated in 2005 and Pier 23 was one of the contributing resources to the district. The SAP's compromise appeared to some to be a conflict, but was actually a compromise that was agreed to in 2000. The request to retain the shed is a conflict with the current SAP and needs to be offset with shed removal in another location from Pier 35 to China Basin. Currently, the proposed amendment identifies Pier 31 as the possible location for this offset. However, due to the accelerated timeframe of the America's Cup project and its relationship to the cruise ship terminal project, there is no time to develop the type of public process necessary to plan, design and implement an open water basin in this location.





While the SAP amendment identifies the Pier 29 to 33 location as the best opportunity for a new open water basin which would achieve the same or similar benefits to those being lost with the elimination of the open water basin between Piers 19 and 27, it is possible that another location between Pier 35 and China Basin will be found and it may also contain contributing resources to the historic district. The necessary environmental analysis of the impacts to the San Francisco Waterfront Historic District will be conducted during the planning process and subsequent amendment to the SAP. This may be an analysis of Pier 31 or of another historic pier. Ideally, the site of the new open water basin between Pier 35 and China Basin would be sited in area that would not result in the removal of historic piers or sheds. However, there are only a few sites where this could occur as most of the piers have been identified as contributing resources to the Historic District.

**Cultural Resources-America's Cup Project.** The amendment for the America's Cup project allows for the temporary use of the open water basins for the berthing and mooring of private yachts and racing yachts during the America's Cup events. The fill associated with the project will be temporary and removed in 2014. The temporary use of these open water basins should not have any impacts on cultural resources. However, the dredging for the use of the open water basins may result in impacts on archaeological resources, including shipwrecks. The FEIR found that these impacts could be mitigated by measures to prepare for and respond to inadvertent discovery of such resources. Additionally, the temporary fill associated with the berthing of vessels in the open water basins may result in significant impacts on the bulkhead wharf and substructure at historic piers. The FEIR found that these impacts could be mitigated through prior approval of designs that ensure compliance with the Secretary's Standards.

**Transportation and Circulation-Cruise Ship Terminal Project.** As stated previously in this Environmental Assessment and described in the FEIR, Pier 27 currently serves as the secondary cruise ship terminal for the Port. The transportation and circulation impacts associated with the primary cruise ship terminal currently occur several piers to the north at Pier 35. Additionally, the SAP contemplated a cruise ship terminal use at Piers 30-32 and a mixed-use commercial recreation project at Pier 27. Based on these factors, the transportation and circulation impacts to the waterfront with the plan amendment will be similar to those under the current SAP. However, the relocation of the cruise ship terminal from Piers 30-32 to Pier 27 may have site specific impacts and the cruise ship terminal use at Pier 27 would differ from the mixed-use commercial recreation impacts due to increased bus and truck traffic associated with a cruise ship terminal use.

The cruise ship terminal use at Pier 27 has the potential to create significant impacts on traffic operations on The Embarcadero due to vehicles exiting and entering the cruise ship terminal. The site design of the cruise ship terminal and the configuration of Piers 27 and 29, result in the reduction of potential impacts on The Embarcadero. The project circulation was designed with a single point of entry and exit and a right turn only exit to reduce the number of crossings of The Embarcadero and impacts of circulation on The Embarcadero. The large area available in the valley area between Piers 27 and 29 and the smaller footprint of the building replacing the Pier 27 shed results in traffic being able to move quickly and efficiently onto the site and not result in stacking of vehicles on The Embarcadero. Additionally, the impacts associated with provisioning occur at early hours of the day, when less traffic occurs on the Embarcadero.

The FEIR includes mitigation measures for the cruise ship terminal project that would avoid or reduce impacts to the extent possible, including a right turn only exit and relocating the vehicular access to about 30 feet south of where it currently occurs.



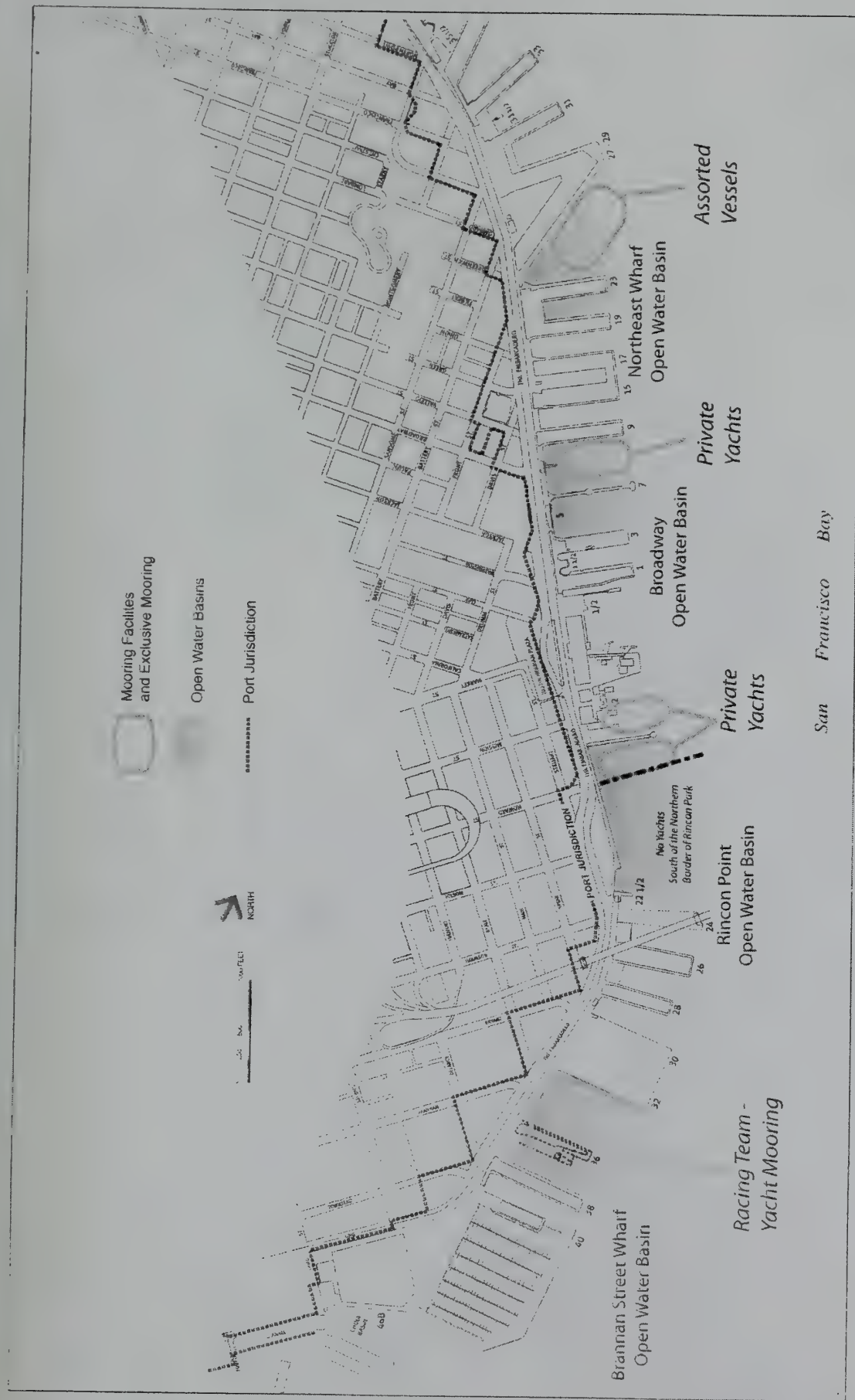
**Transportation and Circulation-America's Cup Project.** The temporary use of the open water basins for the America's Cup events in 2012 and 2013 will not have significant impacts on transportation and circulation. Although not directly addressed in the FEIR, the potential impacts to traffic and circulation as a result of the berthing and mooring of vessels in the open water basins might include landside provisioning and increased traffic around the vessels from those who would like to view them. The FEIR and project does not provide for landside provisioning and states that provisioning will only occur from the Bay side. The increased traffic around the vessels will be temporary and managed by the City and County of San Francisco under the People Plan and through mitigation measures included in the FEIR.

#### **Summary of Written Comments Received 3-11 and 4-11**

No written comments were received following the distribution of the descriptive notice for the cruise ship terminal amendment, on May 6, 20011. No written comments were received following the distribution of the descriptive notice for the 34<sup>th</sup> America's Cup amendment, on November 3, 2011.

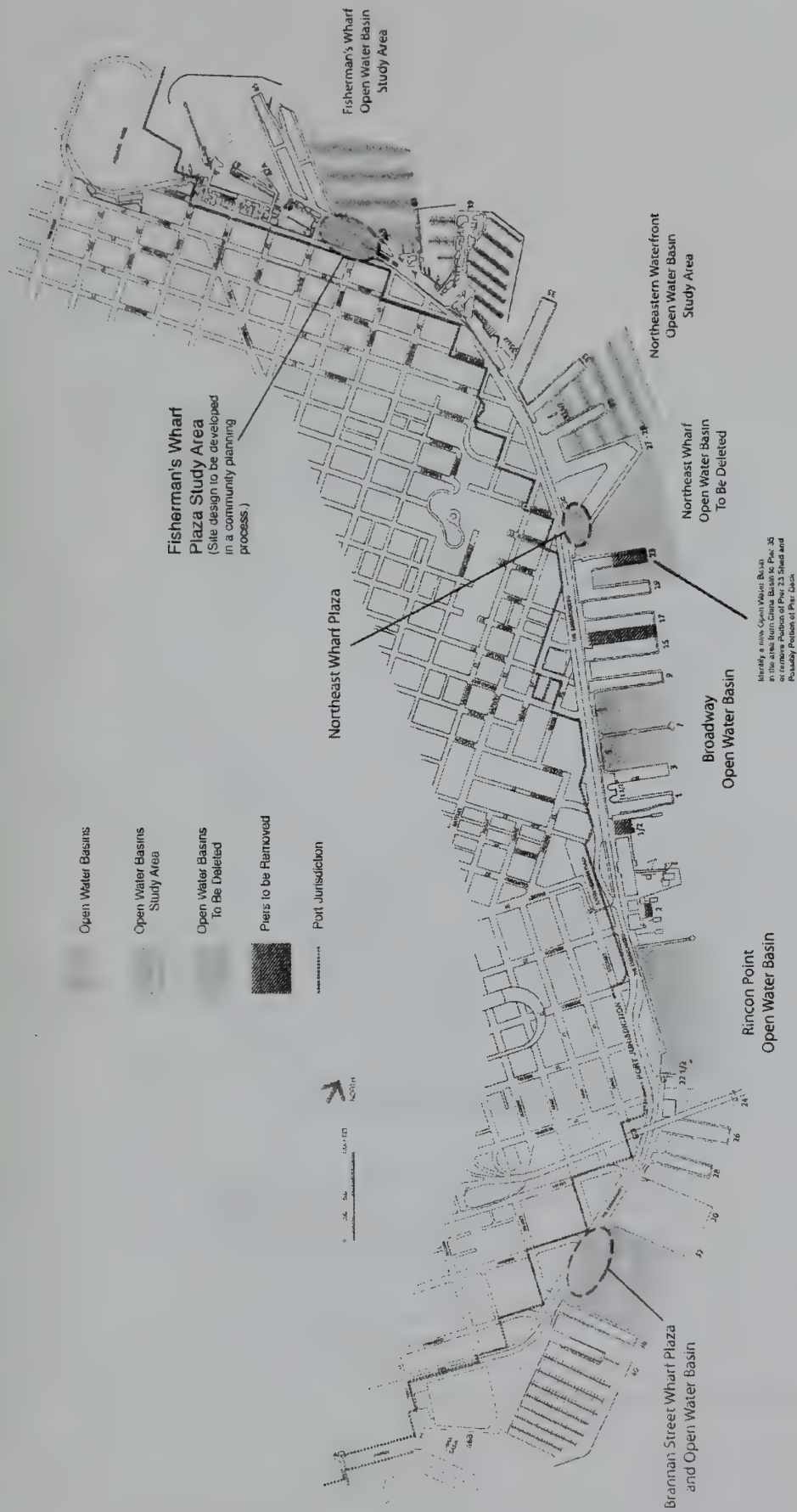






**Figure 1**  
America's Cup Proposed Amendment  
Temporary Use of Open Water Basins





**Figure 2**  
Cruise Ship Terminal and  
America's Cup Proposed Amendment  
Open-Water Basins and Public Plazas

San Francisco Bay



# Proposed Cruise Ship Terminal Amendment 3-11 Public Benefits and Public Access

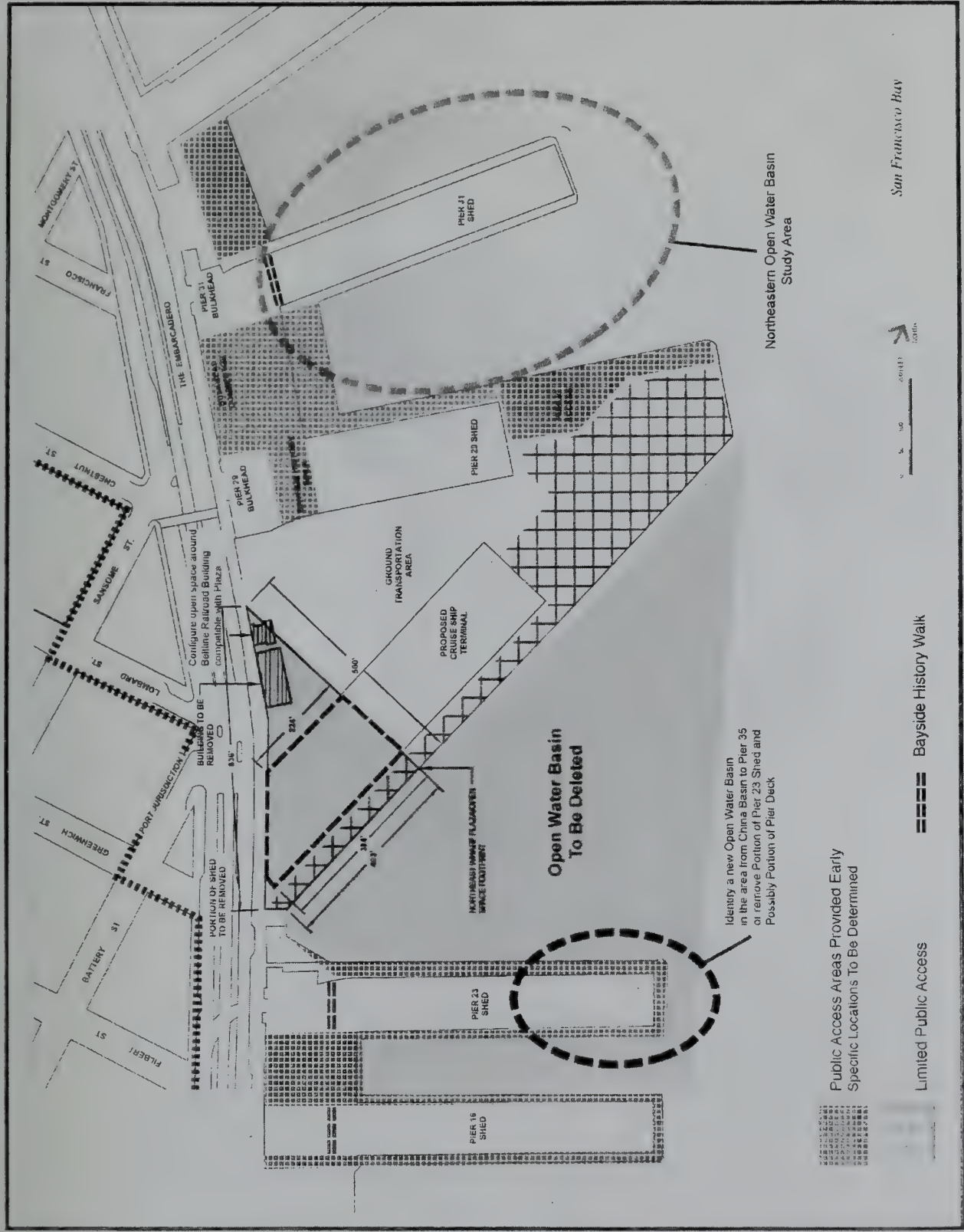


Figure 3







# Proposed Revised Special Area Plan Map 1



0 250 500 1,000 FEET

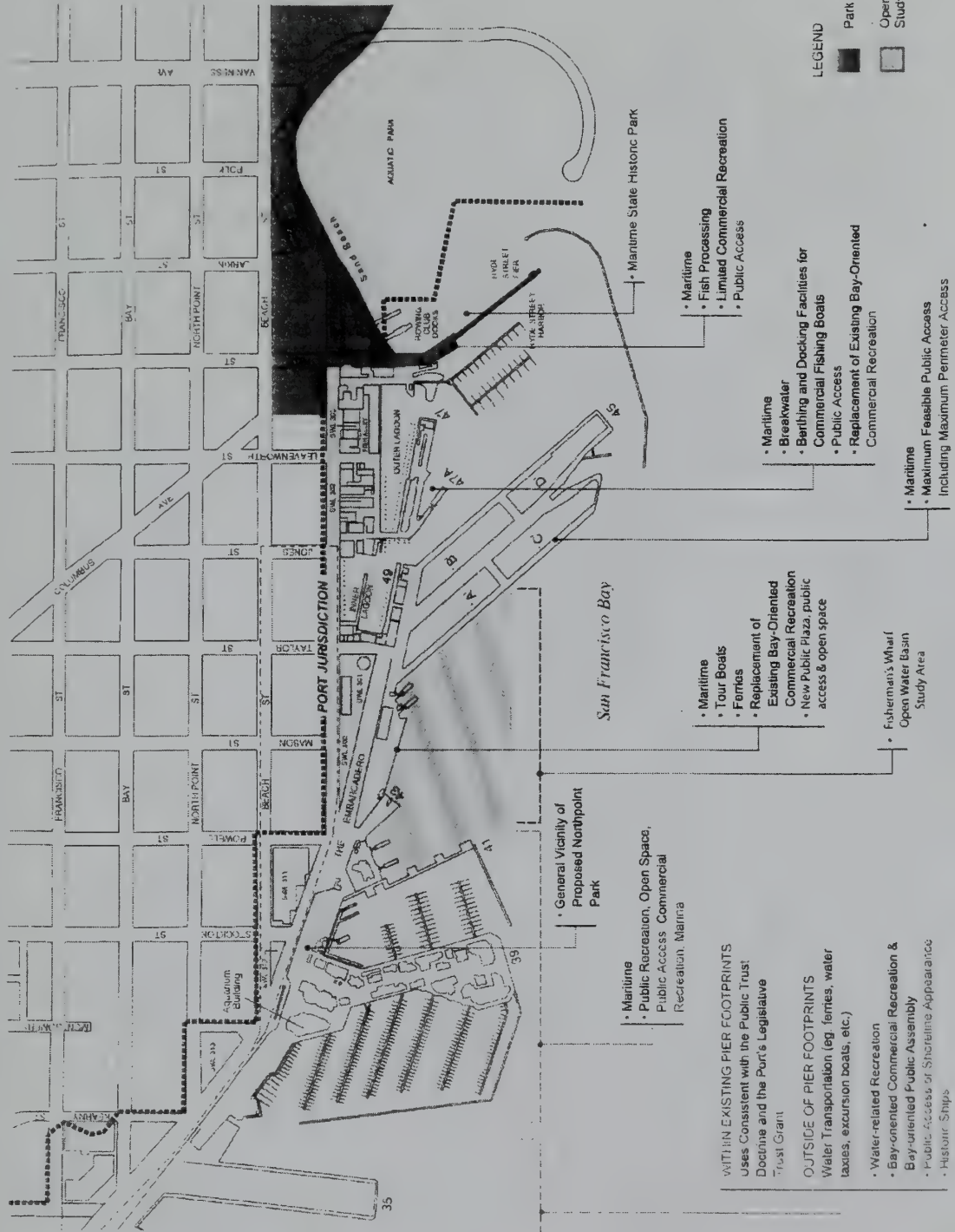
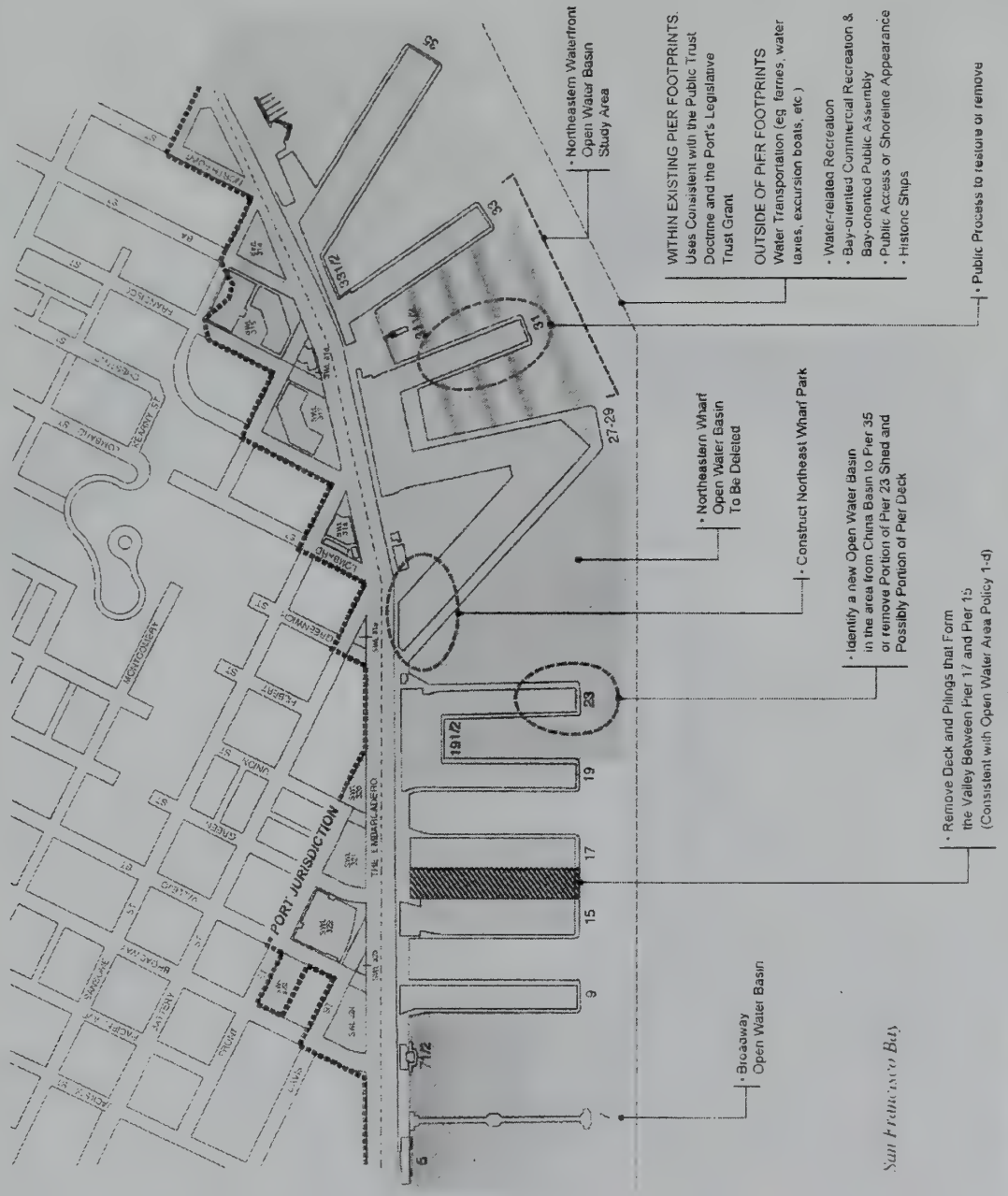


Figure 4





# Proposed Revised Special Area Plan Map 2



- WITHIN EXISTING PIER FOOTPRINTS.**  
Uses Consistent with the Public Trust Doctrine and the Port's Legislative Trust Grant
- OUTSIDE OF PIER FOOTPRINTS**  
Water Transportation (eg ferries, water taxis, excursion boats, etc.)
- Water-related Recreation
  - Bay-oriented Commercial Recreation & Bay-oriented Public Assembly
  - Public Access or Shoreline Appearance
  - Historic Ships
- Public Process to resolve or remove

San Francisco Bay

Figure 5





PLA

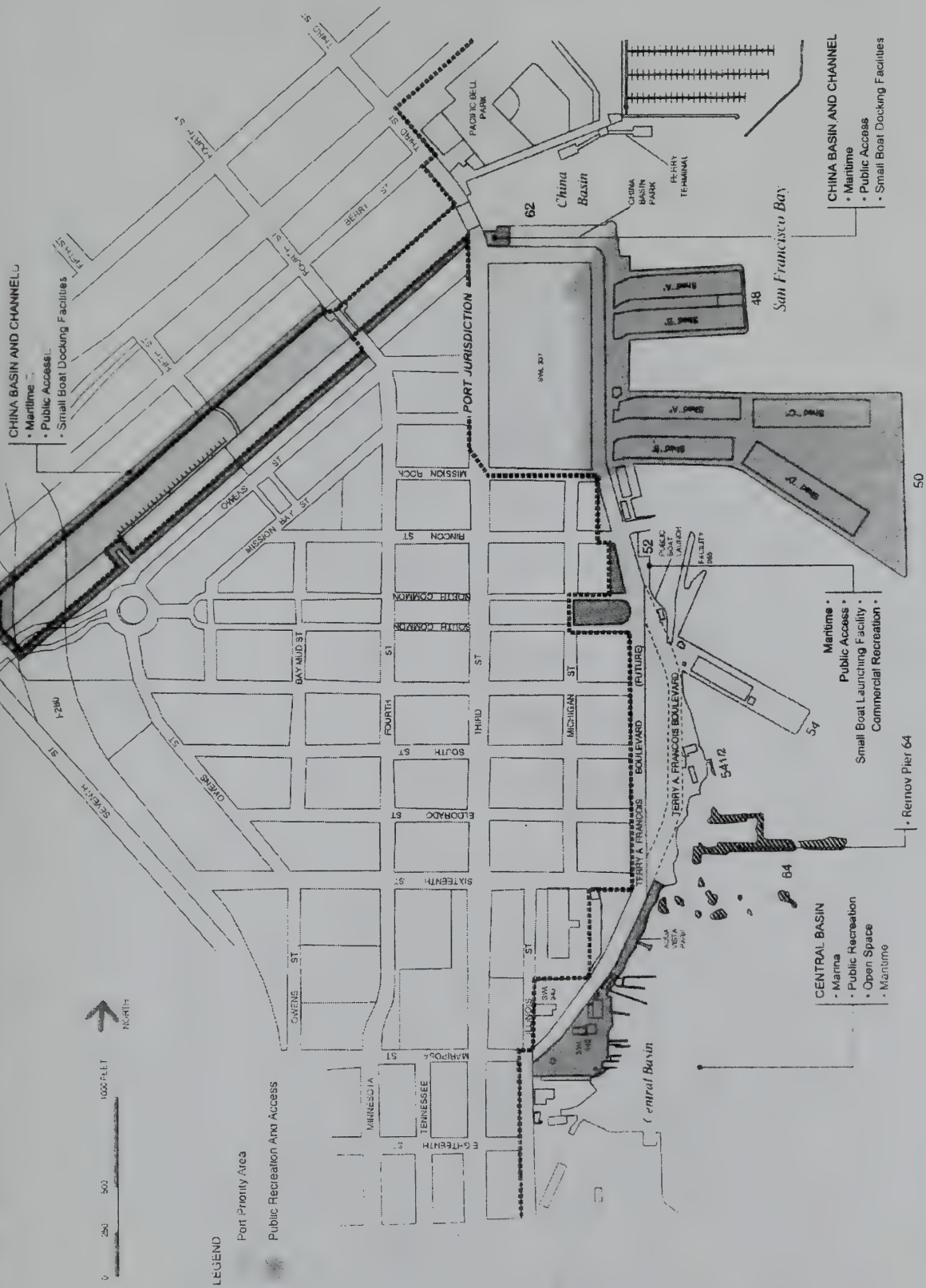
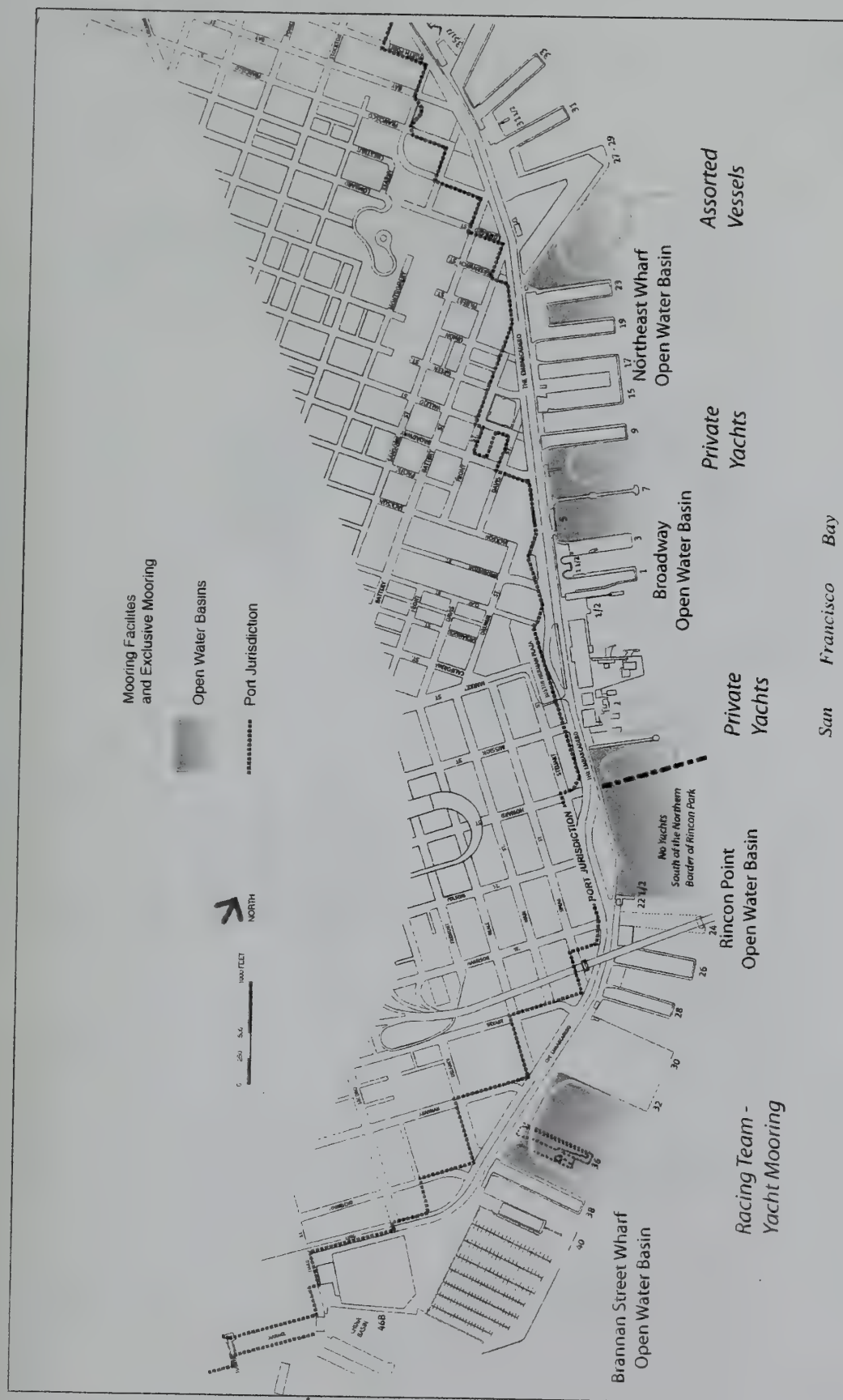


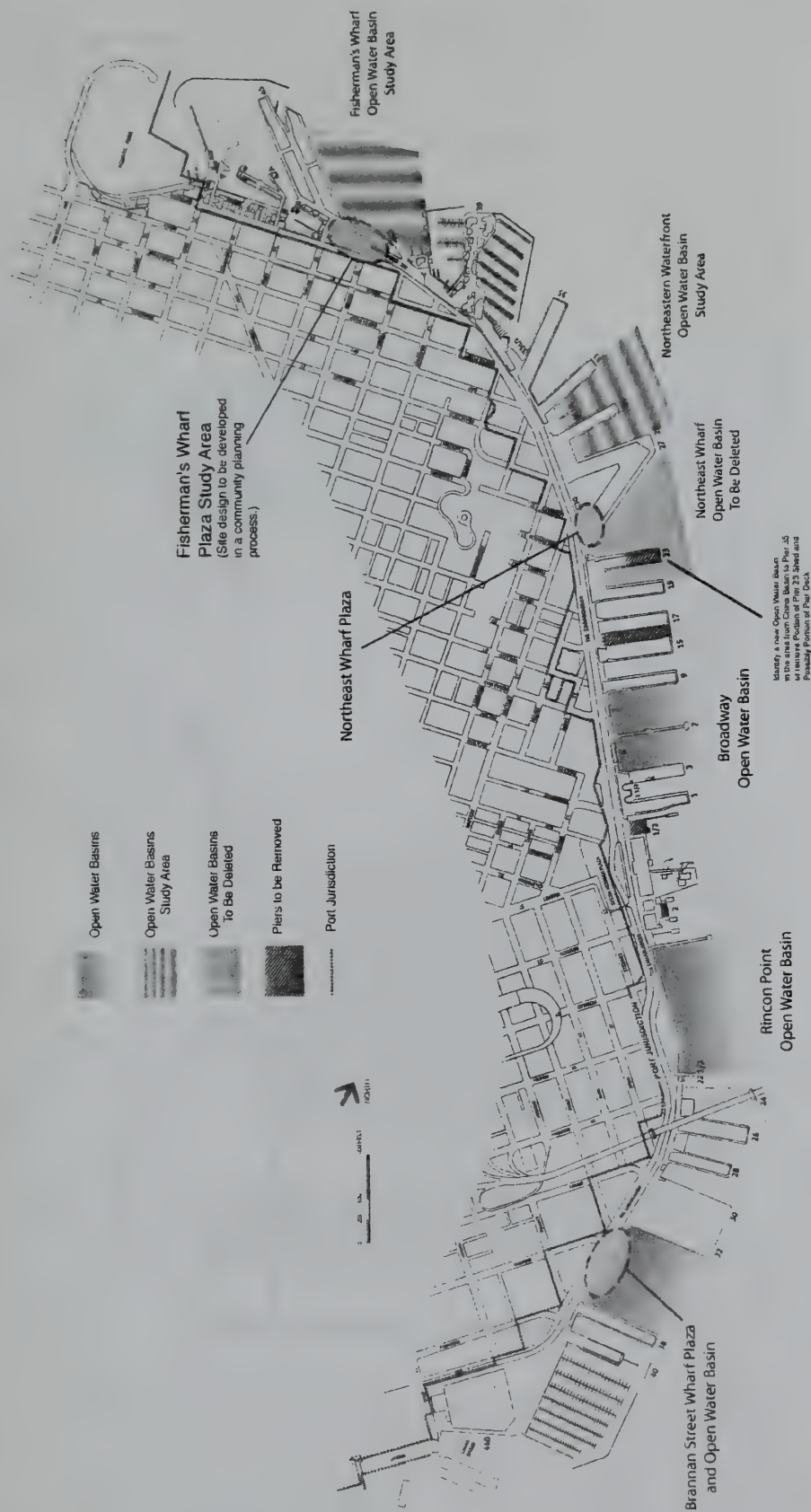
Figure 6





### Figure 1 America's Cup Proposed Amendment Temporary Use of Open Water Basins





**Figure 2**  
Cruise Ship Terminal and  
America's Cup Proposed Amendment  
Open-Water Basins and Public Plazas

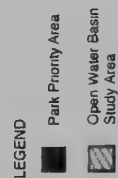




[illegible]

### Figure 3

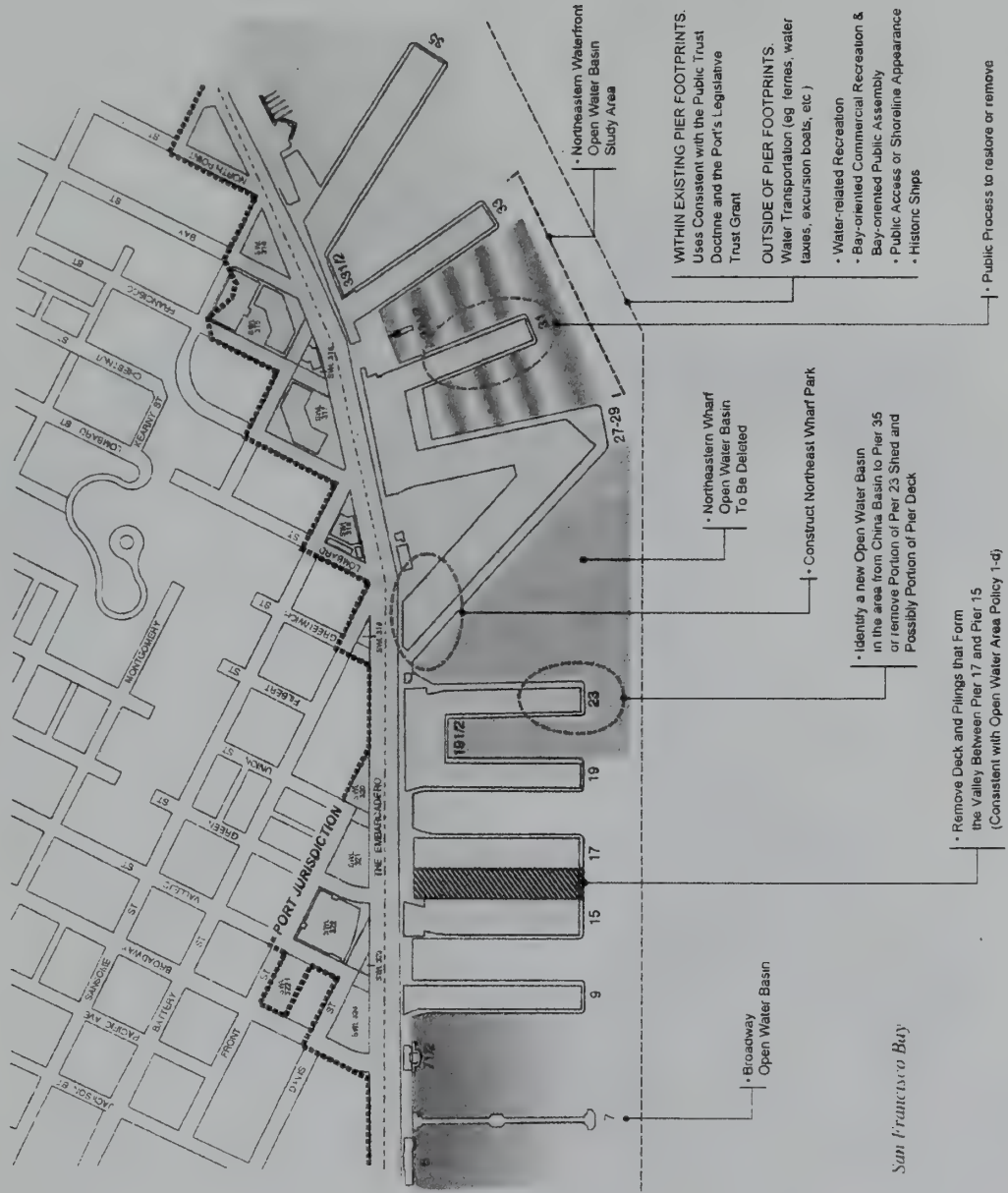




### Figure 4









# S&AW Proposed Revised Special Area Plan Map 5



## LEGEND

- Port Priority Area
- Public Recreation And Access

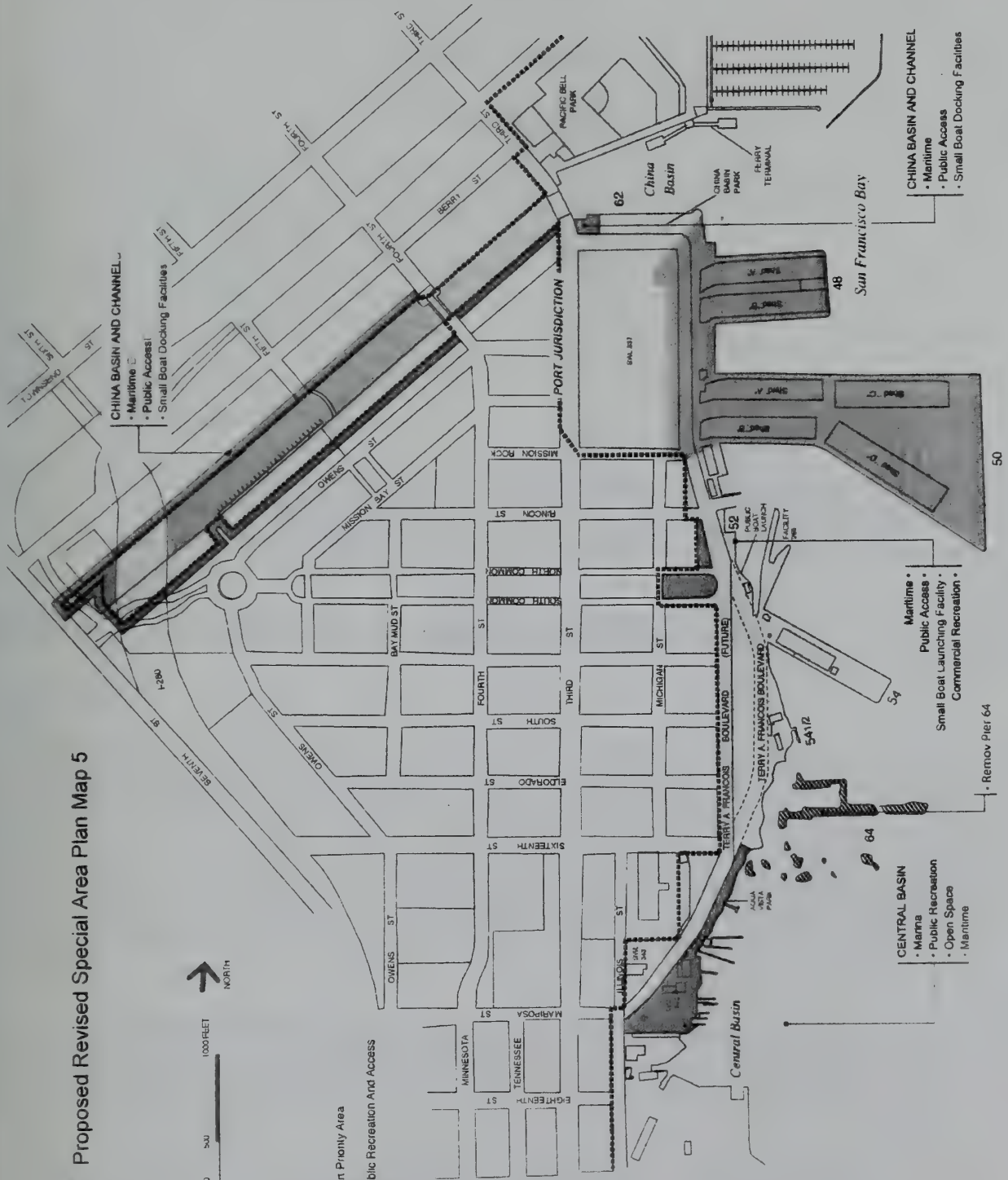


Figure 6





## MEMORANDUM

February 23, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer *M. Moyer*  
Executive Director

**SUBJECT:** Request approval of proposed amendments to the Port Harbor Traffic Code allowing certain parking restrictions and installation of parking meters on Port streets within the Mission Bay area east of Third Street between Mission Creek and Mariposa Streets.

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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### OVERVIEW

Under the Burton Act and the Charter of the City and County of San Francisco, the Port Commission has responsibility for governing the waterfront properties within the Port's jurisdiction. The Board of Supervisors has delegated authority to the Port Commission to adopt a Harbor Code (Ordinance No. 40-69). The Port Commission previously adopted the Harbor Code and subsequent amendments to regulate the use of vehicles and impose traffic regulations on Port property. In particular, the Port Commission has used this authority to impose restricted or metered parking in certain areas within the Port's jurisdiction.

The San Francisco Municipal Transportation Agency (SFMTA) in partnership with the Port has long planned to manage on-street parking in and around the Mission Bay neighborhood to prevent parking problems commonly found in San Francisco's dynamic mixed-use neighborhoods.

A primary purpose to coordinate amongst the two agencies is for the consistency in the customer experience and understanding of the regulations and meter operations notwithstanding the jurisdictional boundaries.

THIS PRINT COVERS CALENDAR ITEM NO. 10B





On January 20, 2012, an informational presentation was given to the Port Commission regarding the proposed Harbor Traffic Code amendments and related parking meter installation, including the Port's coordination with the SFMTA<sup>1</sup>. The original proposal was to amend the Harbor Traffic Code for both the Mission Bay area and areas south of Mission Bay. The SFMTA has delayed its amendments to the City Transportation Code and installation of meters in those areas south of Mission Bay. The Port will also delay Harbor Traffic Code amendments and meter installation south of Mission Bay, until the SFMTA moves forward with that area. However, the Port will proceed with the installation of meters on the following streets under the Port's jurisdiction: 1) Terry Francois Boulevard; 2) Mission Rock Street; 3) China Basin Street; 4) Mission Bay Commons North; 5) Mission Bay Commons South; 6) 16<sup>th</sup> Street (once constructed); and 7) Illinois Street.

## **PROPOSED HARBOR TRAFFIC CODE AMENDMENTS**

The amended Harbor Traffic Code will regulate parking on Port streets within Mission Bay consistent with other regulated Port streets north of Mission Bay (*See Attachment A, Port Streets within Mission Bay*). The amendment will allow the Port to install operate and enforce meters every day from 7AM – 11PM with no time limits. To provide consistency with SFMTA, meters will initially be operated and enforced from 9 AM – 11 PM and will include time limits in some areas adjacent to Bayfront Park once it is constructed to insure availability to park visitors. In addition, Port staff will not install meters adjacent to the new public safety building under construction on Mission Rock and China Basin Streets and will identify appropriate locations for motorcycle parking and commercial loading zones. During special events at AT&T Park and other area venues, meters will have special event rates as part of the SFpark project.

## **METERING COST**

The capital costs for the meter installation is approximately \$244,000. A preliminary estimate for operating cost is estimated at \$12,000/month, with a revenue forecast of approximately \$31,000/month. Recognizing there is an approximately 3 month start-up period, it is expected the investment will be returned in approximately 16 months. The Port's operating budget for FY 2011-2012 and FY 2012-2013 includes funding for this proposal.

## **NEXT STEPS**

If approved, the Port and SFMTA will begin operating meters consistent with the proposed legislation in the Mission Bay area immediately.

Approximately one year after implementing parking management in Mission Bay area, the SFMTA and Port will evaluate its effectiveness and propose adjustments to the Port Commission and SFMTA Board, if any are recommended. The evaluation will utilize data from SFpark sensors and surveys, as well as other data typically used by SFMTA to evaluate parking management.

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<sup>1</sup> <http://www.sfport.com/modules/showdocument.aspx?documentid=3229>



Prepared by: David Beaupre, Senior Waterfront Planner  
Planning and Development  
and  
David Rosales, Management Assistant  
Real Estate

For: Elaine Forbes, Deputy Director  
Finance and Administration

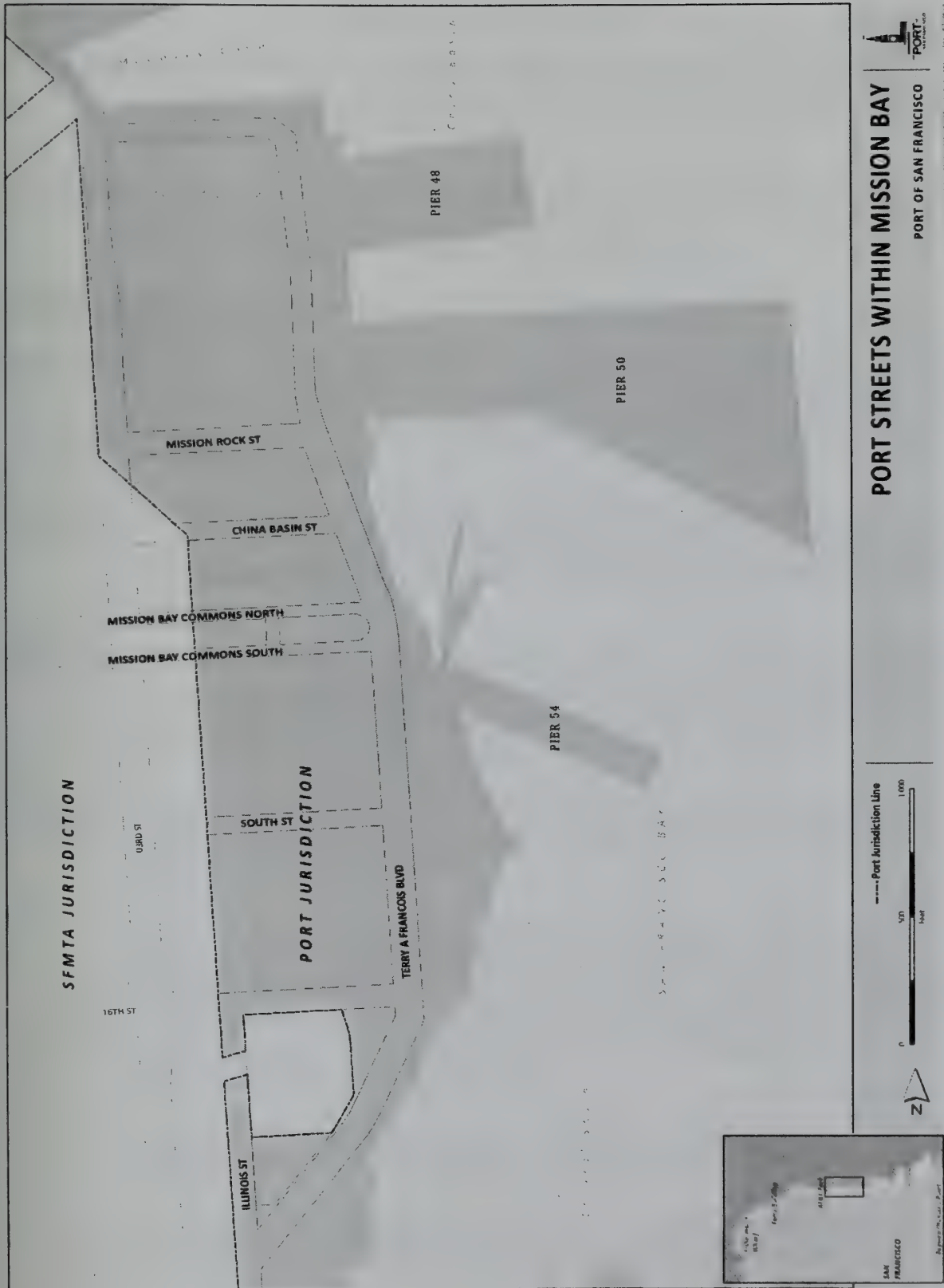
Attachment

A: Map illustrating streets within Port's jurisdiction east of Third Street between Mission Creek and Mariposa Street





# ATTACHMENT A





**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12- 17**

WHEREAS, the San Francisco Port Commission is charged with governing the properties within the Port's jurisdiction pursuant to the Charter of the City and County of San Francisco; and

WHEREAS, Section 7.2.78 of the San Francisco Transportation Code recognizes the Port Commission's authority to adopt regulations for vehicles and animals on Port property (the "Harbor Traffic Code"); and

WHEREAS, the Port Commission has previously adopted such Harbor Code; and

WHEREAS, Article 3 of the Harbor Traffic Code establishes regulations with respect to compliance with signs, stopping, parking and use or occupation of curb space on property within the control and jurisdiction of the Port of San Francisco; and

WHEREAS, in view of increasing development and vehicular traffic along the waterfront, it is necessary to amend the Harbor Traffic Code rules and regulations with respect to parking restrictions within designated areas; and

WHEREAS, the Port Commission has determined that additional parking restrictions, including the installation of meters and signage are appropriate and necessary to effectively manage vehicular traffic and parking in the areas designated herein; now, therefore, be it

RESOLVED, that Article 3, Section 20.2, of the existing Harbor Code is hereby amended as follows: (Amendments indicated by adding underlined and deleted by strikethrough text)

20.2. Parking Limited Meter Zone Including Sunday, 7:00 a.m. to ~~10:00~~ 11:00 p.m. ~~On any day, including Sunday and Holidays, except as provided in Section 31, it shall be unlawful for the driver of any vehicle to stop or park the same at spaces controlled by meters or designated by signs from 7:00 a.m. to 10:00 for a longer period of time than herein designated at the following areas:~~

(a) ~~Two Hours: No Time Limits:~~ Along Terry Francois Boulevard from Mission Rock Street and extending to Illinois Street.

(b) ~~Two Hours: No Time Limits:~~ Along Mission Rock Street from Third Street and extending to Terry Francois Boulevard. ~~and furthermore it It~~



shall be unlawful for the driver of any vehicle to stop, the same or park between three hours before and three hours after any ballpark events, as designated on appropriate signage maintained by the Port or designated agency along the boulevard in the designated areas.

(c) No Time Limits: Along China Basin Street, from 250 feet east of Third Street and extending to Illinois Street.

(c) No Time Limits: Along Mission Bay Commons North, from 250 feet east of Third Street and extending to Illinois Street.

(d) No Time Limits: Mission Bay Commons South, from 250 feet east of Third Street and extending to Illinois Street.

(e) No Time Limits: Along 16th Street, from 250 feet east of Third Street and extending to Illinois Street.

(f) No Time Limits: Along Illinois Street, from 16th Street and extending to Mariposa Street.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 28, 2012.***

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Secretary







## MEMORANDUM

February 23, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer, *Monique Moyer*  
Executive Director

**SUBJECT:** Request approval to award the Pier 70 20<sup>th</sup> Street Historic Buildings development opportunity to Orton Development, Inc. and to enter into exclusive negotiations for a lease and development agreement of these buildings to achieve the objectives specified in the Port's October 4, 2011 Request for Proposals

**DIRECTOR'S RECOMMENDATION:** Adopt Attached Resolution

### **EXECUTIVE SUMMARY**

This staff report discusses the outcome of the Request for Proposals ("RFP") seeking a developer for six historic buildings on or near 20<sup>th</sup> Street in the Pier 70 Master Plan area. With two strong developers proposing on this extraordinary development opportunity, the Port is well positioned to return these buildings to active use.

The site, called the Pier 70 "20<sup>th</sup> Street Historic Buildings", is shown on Exhibit A. Port Staff recommends that Orton Development, Inc. ("ODI" or "Orton") be awarded the opportunity to enter into an Exclusive Negotiation Agreement ("ENA") with the Port for the 20<sup>th</sup> Street Historic Buildings. Of the responses received, Orton best meets the Port's needs for an experienced developer presenting a rehabilitation concept that includes a financing strategy that can work in the near term to meet the objectives of the RFP. Port Staff requests that the Port Commission authorize negotiation of an ENA that will guide the preparation of a development proposal for the site. This action would not approve any development project, only the parameters for considering a project.

**THIS PRINT COVERS CALENDAR ITEM NO. 10C**



## **BACKGROUND**

In April 2010, the Port published its Preferred Master Plan ("Master Plan") for the 65-acre Pier 70 area after an extensive community planning and technical feasibility analysis effort. The Pier 70 Master Plan provides a vision balancing sustained ship repair, historic preservation, new waterfront parks, and new development.

On May 11, 2010, the Port Commission authorized two efforts to attract development partners to realize the Master Plan vision (Resolution 10-27).<sup>1</sup> Accordingly, developer solicitation processes were undertaken for the following sites:

- The "Waterfront Site" is the southeast 25 acres of the site with capacity for 2.5 million square feet of new development and over 250,000 square feet of historic buildings. In July 2011, following a competitive solicitation process, the Port entered into an exclusive negotiating agreement with Forest City California for this site<sup>2</sup>; and
- The 20th Street Historic Buildings including six buildings and adjacent yard areas:
  1. Bethlehem Steel Office Building – Building 101
  2. Powerhouse – Building 102
  3. Union Iron Works Office Building – Building 104
  4. Union Iron Works Machine Shop – Building 113/114
  5. Union Iron Works Foundry – Building 115/116
  6. Heavy Warehouse – Building 14

In total, the 20th Street Historic Buildings have over 250,000 square feet of building space with potential, in some cases, for additional building space.

## **STRONG INTEREST SUPPORTED REQUEST FOR PROPOSAL**

The 20<sup>th</sup> Street Historic Buildings comprise the "historic core" in the Master Plan. These buildings are generally the oldest and rarest at Pier 70 and some are the work of master architects and are individually eligible for National Register listing. Unfortunately they are in disrepair and require a significant investment – estimated in the Master Plan work to total \$150 million – to bring back to use. And, the buildings deteriorate more the longer they are unused, increasing the rehabilitation costs. Within this context, assessing the interest in these buildings from the private sector was critical to determining if a partner could be attracted for the historic buildings as an early implementation project of the Master Plan.

As discussed in the January 13, 2012 staff report to the Port Commission, the Request for Interest ("RFI") process worked well to reach a wide range of potential users for the

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<sup>1</sup> <http://www.sfport.com/ftp/uploadedfiles/meetings/supporting/2010/Item%2010B%20P70%20RFQ%281%29.pdf>

<sup>2</sup> The evaluation process to select Forest City was presented to the Port Commission on April 11, 2011, <http://www.sfport.com/Modules/ShowDocument.aspx?documentid=1275>. The approval of the negotiations agreement is available at <http://www.sfport.com/Modules/ShowDocument.aspx?documentid=1916>.





site. From February to September 2011, 176 people, representing 80 organizations toured the buildings. In total, the Port received 15 responses to the RFI.

On October 4, 2011, after consultation with the Port Commission, ten parties were invited to respond to a Request for Proposals for the 20<sup>th</sup> Street Historic Buildings development opportunity. The RFP defined development objectives and parameters for the development opportunity.

### **Port's Development Objectives**

- Activities that promote public use and appreciation of the waterfront and provide an active entrance to Pier 70.
- Project concepts that can secure the needed financial investment to rehabilitate and revive these grand historic structures in the near term.
- Adaptive reuse consistent with the Secretary Standards.
- For the UIW Machine Shop (Building 113/114), a publicly-oriented use that activates Pier 70 and 20th Street.
- Adaptive reuse programs and activities that promote an understanding of the site's history, significance, and function through a program of coordinated interpretive exhibits.
- Destination uses that help knit Pier 70 into the eastern neighborhoods of San Francisco and bring people to the Bay's edge.
- Sustainable development program that minimizes reliance on automobiles, uses energy efficiently and, as possible, includes alternative energy sources.
- Business and employment opportunities for local workers and businesses during the design, construction and operation phases of the rehabilitated buildings.

### **Encouraged Land Uses and Activities**

- Educational and institutional uses bringing the public, students and clients to activate 20th Street.
- Light industrial uses, including production, distribution, repair, warehousing, manufacturing, and art-related uses such as studios and exhibit spaces.
- Museum space or other types of exhibition space, such as film, music, or performance art, that preserves and makes open to the public the vast interiors of the Pier 70 industrial structures as a valued public amenity.
- Office, biotech, and research and development uses that support adaptive reuse.
- Restaurants, visitor-serving commercial, entertainment, and cultural uses that enhance the public nature of Pier 70.

### **PROPOSALS RECEIVED**

On December 2, 2011, the Port received RFP responses from the following parties:

- CULTURESTRUCTURE Partners LLC, a to-be-formed partnership of Development Advisory Services, Inc. (DAS) and NCA Real Estate (NCA)



- Equity Community Builders, LLC (ECB), Build Inc., and UP (a non-profit formed by Build, Inc.)
- Orton Development Inc.
- Placeworks, LLC

After submitting, CultureStructure Partners, LLC and Placeworks, LLC voluntarily withdrew their proposals. On January 20, 2012<sup>3</sup>, the Port Commission received a presentation on the process leading up to the RFP and heard short presentations from the prospective developers. Exhibit B summarizes key terms of each proposal.

The proposals from the remaining two parties were evaluated in depth by Port Staff, consultants, and an evaluation panel (described later). The two parties are:

**Equity Community Builders, LLC, and UP:** Equity Community Builders (ECB) has joined forces with UP, a nonprofit organization established by Build, Inc. ("Build"), to craft a joint proposal. ECB and Build are both San Francisco based real estate developers with extensive experience in the adaptive reuse of historic buildings, integration of traditional and non-traditional financing mechanisms, and developments serving non-profit and public benefit organizations, as well as for profit enterprises. Since 1994, ECB has completed or now manages over \$900 million worth of real estate development. Build is a real estate development firm established in 1999, which specializes in San Francisco in-fill residential development and has produced housing valued at over \$120 million. Build's role in the project will be through the non-profit UP, "dedicated to improving communities and neighborhoods through long-term, sustainable planning and redevelopment of blighted or under-utilized urban lands and buildings".

The development team includes LeddyMaytum Stacy, Jon Worden Architects, Architectural Resources Group, Ross Construction, Murphy Burr Curry, and Van Brunt & Associates. ECB/UP's submittal includes statements of interest from the following tenants: Prescience, Burning Man, the Museum of Craft and Design, Obscura Digital, and ConXTech.

**Orton Development Inc.:** Specializes in large-scale commercial and industrial rehabilitation and redevelopment projects. Orton has redeveloped over 16 million square feet of buildings, spanning approximately 60 projects including office, industrial, R&D, loft, and warehouse space. ODI's projects have predominately been rehabilitation of obsolete industrial and office buildings for modern uses. A notable project is the rehabilitation of the Ford Assembly Plant in Richmond, California, a \$50 million investment in a 525,000 square foot structure on the Richmond waterfront. Orton's development team includes Marcy Wong, Donn Logan Architects.

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<sup>3</sup>Placeworks withdrew prior to the meeting and did not present. CultureStructure presented on January 20, 2012, but withdrew their proposal on January 27, 2012  
<http://www.sfport.com/modules/showdocument.aspx?documentid=3230>





## **SUBMITTAL EVALUATION PROCESS**

The following four components were required with each submittal.

1. A "Summary" that introduces the Respondent and describes the Rehabilitation Concept proposed. Copies of these summaries were part of the January 13, 2012 staff memorandum to the Port Commission.
2. A "Technical Information" submittal including developer team definition, developer qualifications, and conceptual pro-forma and expected sources of funds.
3. A "Confidential Financial Materials" submittal and financial disclosure questionnaire.
4. A \$5,000 earnest money deposit.

Given the complexities of historic rehabilitation projects, the RFP did not require detailed rehabilitation plans or a binding economic proposal. It asked for a Rehabilitation Concept, including a conceptual financial structure, and demonstration of qualifications and financial capacity to do the project. The RFP established evaluation criteria, shown in detail in Exhibit C. General categories are: Developer Qualifications (30 points), Financial Capacity (25 points), Rehabilitation Concept (20 points) and Feasibility (25 points).

Port Staff, aided by consultants and an evaluation panel, evaluated the submittals. The members of the evaluation panel were:

- Mike Buhler, Executive Director of San Francisco Architectural Heritage, also on the Port's Central Waterfront Advisory Group ("CWAG")
- Toby Levine, chair of the CWAG
- Terezia Nemeth, Vice President Asset Services & Development, Alexandria Real Estate Equities, Inc.
- Jennifer Sobol, recently retired Port senior development project manager

Exhibit D provides more background on the panel members. This panel, with Port Staff, interviewed the two teams on January 31, 2012 and individually and independently scored each team on the evaluation criteria.

Conley Consulting Group (CCG), directed by Lawrence Brown of the Port's finance division, reviewed the confidential financial statements and recommended the scoring for financial capacity. CCG also provided an analysis of how well each proposal met the RFP criteria (Exhibit F).

## **EVALUATION RESULTS**

### **Distinctions between Proposals**

ECB/UP and ODI both have strong track records of historic preservation, demonstrated the skills to undertake the project and showed strong understanding of the Pier 70 and 20<sup>th</sup> Street context and Port's objectives. The project pro-formas and project funding





plans submitted by each team served to elucidate significant economic differences between the proposals, even though the business terms were necessarily conceptual, rather than formal, rent term proposals.

The Orton proposal shows a project that can be funded from developer equity available now, historic tax credits equity, and project debt. The debt on the project would be repaid by the project rents with the developer and the Port sharing in any net proceeds. Orton estimates a lower project cost of \$98 million in total compared to ECB/UP's \$140 million estimate. Orton's cost estimate is based on their experience in rehabilitating similar dilapidated industrial buildings to meet modern office/light industrial needs.

ECB/UP's analysis is that this project has a feasibility gap. They explain it as "Certain aspects of the 20th St. Historic buildings are not financeable by conventional means. The financing gap is too great, even with cross-subsidies." One of the mechanisms for addressing such a gap is a non-profit tenant accessing philanthropy or low cost debt; as such, Build Inc. has created the new entity UP. A second approach to meeting the feasibility gap would be public funds contributions.

ECB/UP indicates that they have funds available for this project to fund the buildings investigations and the negotiation of an agreement with the Port. Subsequent to reaching an agreement with the Port and reconciling any feasibility gap issues, ECB/UP would seek investment partners for the project.

With funds in hand and not requiring a complex public or philanthropic financing strategy, Orton suggests the project can be implemented within four years and can begin quickly with upgrading of the Bethlehem Steel Office Building (Building 101) to serve as its company offices. ECB/UP anticipates a four to seven year time frame to undertake the project.

## **Panel Scores**

Scores for each submittal using the 100 point RFQ evaluation metric are shown on the table on the next page. ODI scored 89.5 points on average across the four panelists and ECB/UP 73.3 points. Exhibit E includes the detail of the evaluation panel scoring. The evaluation scores reveal that both developers had strong qualifications and presented rehabilitation concepts that met Port objectives. The difference in scoring between the two proposals is the assessed feasibility of achieving the project and the financial capacity of the developer.



**Technical Evaluation Panel Scores  
20<sup>th</sup> Street Historic Buildings Developer Proposals**

	Max	ECB/UP	Orton
Developer Qualifications <sup>1</sup>	30	27.3	28.3
Rehabilitation Concept <sup>1</sup>	20	16.8	16.5
Feasibility <sup>1</sup>	25	15.3	21.8
Financial Capacity <sup>2</sup>	25	14.0	23.0
Total	100	73.3	89.5

1. Panel scoring completed January 31, 2012

2. Evaluated by Conley Consulting Group based on review of confidential financial materials.

**PUBLIC OUTREACH**

On January 20, 2012, the Port Commission heard short presentations from the developers. Since January 13, 2012, summaries of each submittal have been available on the Port's web site. The Port's Central Waterfront Advisory Group (CWAG) hosted a community meeting at the Potrero Hill Neighborhood House on Wednesday, February 8, 2012. Over 50 people attended including neighbors from Potrero Hill, Dogpatch, Showplace Square, Mission Bay and China Basin. Both prospective developers presented their team and proposal for the 20th Street Historic Buildings. They were asked by CWAG members to address the following questions in their presentations:

1. How will you address the condition of the buildings and minimize the risk of further deterioration?
2. How will you determine uses that are feasible and will arouse the interest of the public and of other businesses/institutions? Please consider in your answer, impact on the surrounding neighbors and businesses.
3. In general terms, how will you fund this project?

After each presentation, CWAG members and the public asked additional questions of each team.

After these presentations, and without the prospective developer in the room, the CWAG members and the public discussed the two developers, identifying strengths and issues of concern. Similar to the evaluation discussed above, the community and the CWAG recognized that these are two very strong, capable developers with substantial historic preservation experience.

The ECB/UP team is well-known to the local community through Build's work on the Esprit Park project near Pier 70 where they worked closely with the community to craft a well-received project. The Burning Man participation and other arts-related uses in their proposal appealed to CWAG and the community as activating uses for 20<sup>th</sup> Street. ECB's experience at the Presidio was cited as a strength of the team. Concerns over





the strength of ECB/UP's financial capacity and whether this project is too big for the ECB/UP team were raised.

Although Orton has no San Francisco projects, the historic rehabilitation of the Richmond Ford Plant, their industrial experience and experience in Berkeley (where development is scrutinized closely) were discussed as strengths of the team. CWAG and the community viewed Orton's proposal to invest substantial equity in the project and relocate its offices to the site as strong statements to its commitment to the project. Orton and its concept were seen as practical, comprehensive, and nimble. Concerns consisted of how active and public the uses would be included in the Orton vision of the project and that this group is not local to San Francisco.

Several overarching issues were raised that address the potential project independent of the developer selected:

- Strong desire to return these buildings to use as soon as possible
- An opportunity to expand and reinforce the economic diversity and vibrancy of the neighboring areas
- Uses must be compatible with 24/7 ship repair industrial uses
- Recognition that this is a costly project and the importance of a strong funding strategy
- Opportunities for creating synergy between the use of the buildings and drawing connections between the activities in each building
- Urgency to stabilize the buildings to forestall further deterioration
- Concerns about how this project can proceed in a timely fashion due to infrastructure needs and community review process
- Ideas were raised as to if the two developer teams could collaborate on the project combining their differing strengths and community history

This meeting was very productive in advancing the community's understanding of options for the site's future and demonstrated continuing support for revitalizing Pier 70 and these historic buildings in particular. The Port will continue to work closely with CWAG and the community in the revitalization of 20<sup>th</sup> Street.

### **EXCLUSIVE NEGOTIATIONS PROCESS**

The Port Commission has the sole discretion to award the development opportunity for the 20th Street Historic Buildings. Upon the Port Commission's award, Port Staff and the chosen developer will negotiate the terms of an Exclusive Negotiation Agreement ("ENA") committing the Port to not enter negotiations concerning the 20th Street Historic Buildings with any other party (other than for interim use) during the exclusive negotiation period. The ENA will also govern how required agreements will be negotiated. It will specify time frames and milestones for Port Commission and Board of Supervisors and other required agencies review and approval.



During the period of exclusive negotiations, the following events are anticipated:

- The developer will prepare a development project proposal to respond to the objectives of the RFP in the context of the Master Plan
- The Port and the Developer will negotiate documents for the lease and development of the site, including the Port's and developer's respective responsibilities, the economic parameters, development standards and requirements, and a performance schedule, in a final form approved by the City Attorney's Office.
- The developer will complete its due diligence review of the site, finalize financial projections and complete preliminary plans.
- The developer will secure financial commitments for the proposed project from lenders and/or equity sources.
- The developer, with the Port's cooperation, will complete the project approval process and any required environmental review.

Entering into negotiations is not an approval of the chosen developer's project concept, nor does it commit either party to the 20<sup>th</sup> Street Historic Buildings project. As outlined in the RFP and Master Plan, numerous policy actions must be taken prior to approval of development of the 20<sup>th</sup> Street Historic Buildings.

### **NEXT STEPS**

If authorized by the Port Commission, Port Staff will negotiate the terms of an ENA with the chosen developer. Once negotiated, the Port Commission would review and authorize the execution of the ENA. The ENA will specify major milestones such as defining a rehabilitation design, undertaking environmental review, negotiating business terms for the transaction, securing the approvals needed, and crafting the necessary legal agreements.

### **RECOMMENDATION**

Based on the assessment of the proposals using the RFP evaluation criteria, Port staff recommends that the Port Commission award the Pier 70 20<sup>th</sup> Street Historic Buildings development opportunity to Orton Development Inc. and authorize negotiation of an Exclusive Negotiations Agreement for a lease disposition and development agreement to achieve the objectives specified in the Port's October 4, 2011 RFP for the Pier 70 20<sup>th</sup> Street Historic Buildings.

Prepared by: Kathleen Diohep, Project Manager

For: Byron Rhett, Deputy Director  
Planning & Development



**Exhibits**

- A. 20<sup>th</sup> Street Historic Buildings
- B. Summary of Developer Submittals
- C. Evaluation Criteria
- D. Review Panel Biographies
- E. Evaluation of 20th Street Historic Buildings Developer Proposals
- F. Conley Consulting Group Evaluation Report





**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-18**

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and
- WHEREAS, The Port owns an approximately 65-acre site, located on San Francisco's Central Waterfront, between 18th and 22nd Streets and east of Illinois Street, known as Pier 70; and
- WHEREAS, The Port Commission designated a substantial portion of the site as a Development Opportunity Area in the Waterfront Land Use Plan in 2000 to provide revenues for the Port's effort to preserve the Union Iron Works and Bethlehem Administration buildings; and
- WHEREAS, In late 2006, the Port initiated a community planning process to develop a master plan for Pier 70 to address regulatory, economic, maritime, historic preservation, open space and shoreline access challenges to redevelopment; and
- WHEREAS, In July 2009, after six informational Port Commission hearings, four community workshops, Central Waterfront Advisory Group policy discussions, and additional community outreach, the Port published its draft Preferred Master Plan for review, and after an additional informational Port Commission hearing on March 9, 2010, the Port published its final Pier 70 Preferred Master Plan ("Master Plan"), which addresses policymaker and community comment; and
- WHEREAS, On May 11, 2010, by Resolution 10-27, the Port Commission endorsed the vision, goals, objectives, and design criteria of the Master Plan for Pier 70 which identifies about 3 million square feet of capacity for new buildings and 700,000 square feet of potential adaptive reuse capacity, and a system of infrastructure, roadways, shoreline parks, plazas and open space while retaining 17 acres for ship repair use; and
- WHEREAS, The 20th Street corridor of Pier 70 includes a cluster of several historic buildings in need of substantial rehabilitation (the "20th Street Historic Buildings"), which, if adaptively reused would create an extraordinary showcase for Pier 70's heritage; and
- WHEREAS, The Port Commission, by Resolution 10-27, authorized staff to solicit interest in the 20th Street Historic Buildings through a request for interest ("RFI") process guided by the Preferred Master Plan to allow both the potential future users and the Port to address the potential for



rehabilitation and adaptive reuse of these buildings and provide the Port Commission with information upon which to direct staff on disposition of these important structures; and

- WHEREAS, On February 16, 2011, the Port issued a RFI for six 20<sup>th</sup> Street Historic Buildings and commenced a substantial outreach effort -- 176 people, representing 80 organizations toured the buildings; and by September 23, 2011, a total of 15 responses to the RFI were received; and
- WHEREAS, After consultation with the Port Commission, on October 4, 2011, the Port issued a Request for Proposals (RFP) for the 20<sup>th</sup> Street Historic Buildings and invited ten respondents to the RFI to respond to the RFP; and
- WHEREAS, On December 2, 2011 four parties submitted timely submittals to the Port; subsequently two voluntarily withdrew their proposals; and
- WHEREAS, The RFP required proposing a rehabilitation concept for the buildings including a conceptual pro forma and a demonstration of qualifications and financial capacity to undertake the project proposed; and
- WHEREAS, Port staff convened an evaluation review panel of four persons with experience in real estate economics, land use planning and architecture/urban design to review the two remaining proposals against the RFP objectives and evaluation criteria; and
- WHEREAS, The evaluation panel, Port Staff, and consultants found that the proposals from both Orton Development Inc. ("ODI") and the proposed joint venture of Equity Community Builders, Build Inc. and UP, a non-profit formed by Build Inc. (ECB/UP) were well qualified to undertake the 20<sup>th</sup> Street Historic Buildings effort and presented rehabilitation concepts that meet the Port's objectives; and
- WHEREAS, The evaluation panel, Port Staff, and consultants found that the ODI proposal presented a feasible rehabilitation concept and demonstrated strong financial capacity needed to address the 20<sup>th</sup> Street Historic Buildings; and
- WHEREAS, The evaluation panel, Port Staff, and consultants found that ODI's proposal best met the evaluation criteria in the RFP; and Port Staff recommends that the Port enter into negotiations with ODI to define mutually acceptable terms for undertaking rehabilitation of the 20<sup>th</sup> Street Historic Buildings; and
- WHEREAS, The Port Commission has reviewed and evaluated the analyses prepared by Port staff, consultants, and the evaluation panel, the Port





Staff recommendations set forth in the Staff Report accompanying this resolution, and has determined that ODI possesses the qualifications and financial capacity required by the RFP and presents a rehabilitation concept for 20<sup>th</sup> Street that meets Port's objectives; now therefore be it

- RESOLVED, That the Port Commission hereby determines that following an extensive outreach and marketing process the proposals received by both the ECB/UP team and ODI present rehabilitation concepts that meet the objectives of the Port's RFP and are submitted by developers with the skills and capabilities to undertake the project proposed; and be it further
- RESOLVED, That the Port Commission hereby awards to ODI the Pier 70 20<sup>th</sup> Street Historic Buildings development opportunity and directs Staff to negotiate the terms of an Exclusive Negotiations Agreement ("ENA") for the lease disposition and development of this site to achieve the objectives specified in the RFP for a period of time ending May 8, 2012 unless the Port Director extends this period in her determination that the parties have made substantial progress towards reaching agreement; and be it further
- RESOLVED, The Port Commission must approve the terms of an ENA establishing performance benchmarks for the 20<sup>th</sup> Street Historic Buildings and authorize the Executive Director of the Port, or her designee to execute that agreement; and be it further
- RESOLVED, That the Port Commission reserves the right, if negotiations with ODI are unsuccessful and do not lead to approval of an ENA or a development agreement, lease and related documents to undertake other efforts including, but not limited to, determining no project will be pursued, selecting a tenant by any other means, negotiating ECB/UP, issuing a new development solicitation at the Port Commission's sole discretion; and be it further
- RESOLVED, That awarding the development opportunity to ODI begins a process of defining a project for the 20<sup>th</sup> Street Historic Buildings and the development concepts envisioned in the Master Plan and the RFP; that the ODI proposal will evolve through the extensive public review process including changes to the rehabilitation concept, uses, the mix of uses, or other fundamental terms, all leading to a final project proposal, subject to Port Commission review; and be it further
- RESOLVED, That the direction to staff to negotiate an ENA does not commit the Port Commission to approval of the terms of the ENA or any specific development concept or project proposal, nor will the ENA or the project review process it establishes foreclose the possibility of alternative development concepts, mitigation measures, or deciding not to grant



entitlement or approve the lease and development of the 20<sup>th</sup> Street Historic Buildings; and be it further

RESOLVED, That entering into exclusive negotiations does not commit the Port Commission to approval of a final lease disposition and development agreement, lease or related documents and that the Port Commission shall not take any discretionary actions committing it to the project until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act (CEQA); and be it further

RESOLVED, That the Port Commission expresses its thanks and appreciation to the Central Waterfront Advisory Group and the 20<sup>th</sup> Street Historic Buildings Evaluation panel for their participation in and support of the Port's evaluation of responses to the RFP.

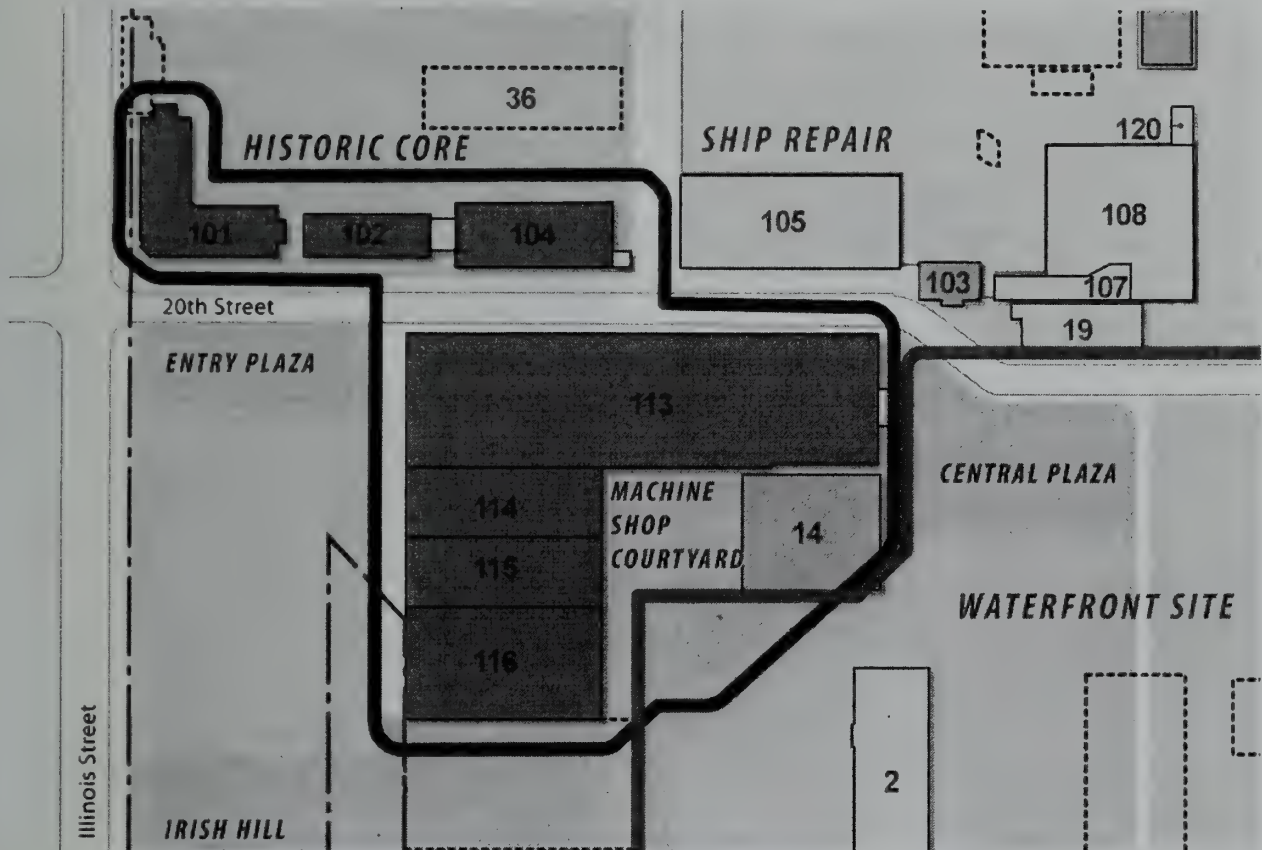
***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 28, 2012.***

---

Secretary









**Exhibit A**  
**Pier 70 20<sup>th</sup> Street Historic Buildings**







## Pier 70 20<sup>th</sup> Street Historic Buildings

	<p><b>Building 113-114 UIW Machine Shop</b>  Size: 100,000 sqft  Rehab Cost: \$50 Million  Very Significant Building  Vacant</p>
	<p><b>Building 115-116</b>  Size: 38,000 sqft; could add 42k sqft  Rehab Cost: \$31 Million  Very Significant Building  Port Maintenance Department use.</p>
	<p><b>Building 101</b>  Size: 56,000 sqft  Rehab Cost: \$25 Million  Very Significant Building  Vacant</p>
	<p><b>Building 102</b>  Size: 8,000 sqft  Rehab Cost: \$4.5 M.  Very Significant Building  Vacant</p>
	<p><b>Building 104</b>  Size: 38,000 sqft  Rehab Cost: \$18 M.  Very Significant Building  Vacant</p>
	<p><b>Building 14 -- behind 113</b>  Size: 16,000 sqft, add 23k sqft  Rehab Cost: \$21.5 M. with addition  Encouraged Uses: Office, Cultural Institutional,  , Commercial, Ind  Context Building Vacant now.</p>



**Exhibit B**  
**Comparison of Key Proposal Terms -- 20th Street Historic Buildings**

	ECB/UP	Orton																										
Entity	For-Profit Special Purpose, LLC to be formed for project; partnership of ECB and UP; UP or another non-profit may be a significant sub-tenant.	The Workshops at Pier 70 LLC formed by Orton Development Inc.																										
Rehabilitation Concept by Building																												
101	Small offices; professional services, sole practitioners	Office with shared reception for complex of buildings																										
102	Cafe/ Restaurant/Bar/Museum	Restaurant main floor; ground floor: meeting/class rooms, workout area																										
104	Small to medium offices	Office/Showroom/Flex space; potential ground floor retail																										
113-114	Light industrial/arts (interim use)/ Large technology offices; arts and other nonprofit offices	"New American Workplace": craftsmen and trades, artisans, designers, food production, technology-driven startups, media and software companies, research and design, apparel, and green energy. Design, prototyping, manufacturing, wholesaling, office, and sales/retail activities																										
115-116	Clean technology incubator																											
14	Industrial Arts Orgs, Garage type incubator space																											
Financial Concept																												
Equity	Pre-development funds available now; remainder of equity raised after securing agreement with the Port. Equity partners will be institutional or individual investors; Cost of equity in the mid to high teens. Syndicate historic tax credits to investors	ODI equity available now; Seeking a 14 % return on equity Syndicate historic tax credits to investors																										
Conceptual Pro-forma	<table><tr><td>Total Development Costs</td><td>\$140 M</td></tr><tr><td>Proposed Equity Investment</td><td>18</td></tr><tr><td>Tax Credit Equity</td><td>27</td></tr><tr><td>Supported Debt</td><td>82</td></tr><tr><td><u>1<sup>st</sup> Phase Cross Subsidy</u></td><td><u>4</u></td></tr><tr><td>Total Sources</td><td>\$131 M</td></tr><tr><td>Feasibility Gap</td><td>\$ 9 M</td></tr></table>	Total Development Costs	\$140 M	Proposed Equity Investment	18	Tax Credit Equity	27	Supported Debt	82	<u>1<sup>st</sup> Phase Cross Subsidy</u>	<u>4</u>	Total Sources	\$131 M	Feasibility Gap	\$ 9 M	<table><tr><td>Total Development Costs</td><td>\$98 M</td></tr><tr><td>Proposed Equity Investment</td><td>15</td></tr><tr><td>Tax Credit Equity</td><td>14</td></tr><tr><td><u>Supported Debt</u></td><td><u>69</u></td></tr><tr><td>Total Sources</td><td>\$98 M</td></tr><tr><td>Feasibility Gap</td><td>none</td></tr></table>	Total Development Costs	\$98 M	Proposed Equity Investment	15	Tax Credit Equity	14	<u>Supported Debt</u>	<u>69</u>	Total Sources	\$98 M	Feasibility Gap	none
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Tax Credit Equity	14																											
<u>Supported Debt</u>	<u>69</u>																											
Total Sources	\$98 M																											
Feasibility Gap	none																											
Port Rent	None shown	Port would receive 50% of net income after debt service after a preferred developer return of 14%																										
Public Funds/ Means to fill gap	Gap could be filled with IFD, other public funds or with philanthropic loans or gifts; pro-forma does not reflect repayment of gap funds	Suggest the Port and ODI collaborate to find the lowest cost source of debt for project. All debt service to be re-paid with project income																										





## **Exhibit C**

### **Evaluation Criteria from Request for Proposals**

#### Developer Qualifications (30 Points)

- a) Successful track record of the Respondent (including joint venture partners) and the development team in successfully rehabilitating, developing, and operating facilities similar to the proposed project.
- b) Experience with historic preservation projects, in particular with meeting the Secretary Standards.
- c) Experience with complex projects in identifying and securing target tenants, defining the rehabilitation scope, structuring the transactions, securing necessary approvals, and managing the construction process.
- d) Demonstrated ability to operate and maintain real estate projects once completed, including sustaining occupancy and addressing on-going operational needs.
- e) Proven ability to work with public agencies, to achieve development desired by the public sector.
- f) Sufficient staff and consultant resources to meet the project objectives.
- g) Track record of local hiring and participation of locally owned businesses in prior projects.
- h) Demonstrated ability to work with local organizations and/or address community concerns.
- i) Demonstrated understanding, ability, and flexibility to obtain key approvals and community support in a complex political and regulatory context.

#### Financial Capacity (25 points)

Proven ability of developer to possess or attract equity and debt capital for projects similar in scope and cost to the proposed Rehabilitation Concept as evidenced by:

- a) financing of comparable projects,
- b) access to sufficient debt and equity, including at risk equity, for the project proposed,
- c) ability to offer guarantees or bonding arrangements to ensure timely completion of the proposed project,
- d) on-going relationships with financial sources.

#### Rehabilitation Concept (20 points)

- a) Consistency of proposed Rehabilitation Concept with the Port's objectives for the 20th Street Historic Buildings.
- b) Fit of proposed use with other uses identified in the Master Plan for 20th Street and other portions of Pier 70.

#### Feasibility (25 points)

Determining if the proposed Rehabilitation Concept is feasible includes assessing the likelihood of Respondent and its concept meeting the Port's Objectives in an expedient manner. Factors considered will include:

- a) Evidence of ability of this Respondent to attract necessary public and private investment for the Rehabilitation Concept proposed.
- b) Feasibility of the Rehabilitation Concept to address the deteriorated state of the buildings in the near term.
- c) The probability of obtaining approvals for the proposed design, given the historic status of the buildings and the physical and regulatory constraints on development.
- d) Cash flow projections that demonstrate the project, once operational, will meet all lease, debt service and operating expenses.
- e) Demonstrated strength of real estate market for proposed uses.



**Exhibit D**  
**20<sup>th</sup> Street Historic Buildings Proposals Review Panel**

The Port convened a technical review panel who evaluated the full proposals submitted by the developers, interviewed the two teams, and scored the proposals on the evaluation criteria included in the RFP. The following individuals served on the panel.

**Michael Buhler**

Mike Buhler is executive director of San Francisco Architectural Heritage, a nonprofit organization founded in 1971 to preserve and enhance San Francisco's unique architectural and cultural identity. Mike previously served as the director of advocacy for the Los Angeles Conservancy from 2006 to 2010 and regional attorney for the National Trust for Historic Preservation's Western Office in San Francisco from 1998 to 2006. He holds a J.D. from Santa Clara University School of Law and a B.A. degree in history from the University of Washington in Seattle.

**Toby Levine**

Toby Levine has served as the Co-Chair of the Central Waterfront Advisory Committee, originally called the Pier 70 Advisory Committee, since 2000. This is only one leadership role in over 40 years of civic involvement in neighborhood and land use issues including being part of founding the following organizations: the Victorian Alliance (1972-73), the Coalition of San Francisco Neighborhoods (1972), and the Mission Planning Council (1974-78). Toby served as a member of the Planning Commission from 1992 to 1996 appointed by Mayor Frank Jordan.

Toby's waterfront-related community service includes:

- Member of the Advisory Committee on the Northeast Waterfront, appointed by the Board of Supervisors, (1978-84)
- Member of Board and later President, Mission Creek Conservancy (1984-present)
- Member, and later Vice President - Rincon Point - South Beach Redevelopment Advisory Committee - (1986- 1991)
- Member - Waterfront Land Use Advisory Board, appointed by the Port Commission and later representing the Planning Commission - (1991 to 1997)
- Member, Treasure Island Reuse Committee (1995 - 1996) - representing the Planning Commission
- Member, Port of San Francisco Technical Advisory Committee on Design Principles, (1995-96) appointed by the Director of the Port
- Member, and formerly chair, Northeast Waterfront Advisory Group (1998 - present) appointed by the Port Staff





## **Terezia Nemeth**

Terezia Nemeth is Vice President of Asset Services and Development at Alexandria Real Estate Equities, Inc. Her role is to manage the operations of over 1 million square feet of laboratory/office buildings owned by Alexandria at Mission Bay. In addition, she manages the company's design, entitlements and overall development process in the Bay Area. Terezia serves on the Mission Bay Citizens Advisory Committee and is a Member of Lambda Alpha International.

Prior to joining Alexandria, Terezia also managed design and entitlements for 1.2 million square feet of office space at Mission Bay for Catellus Development Company. Terezia also served as a Special Assistant to the Mayor in Mayor Willie Brown's Office of Economic Development where she managed several large development projects including the Hunters Point Naval Shipyard and the development of a new headquarters for the Pacific Exchange. Terezia holds a Master of Science in Real Estate Development from M.I.T., as well as a Master of Architecture and B.A. from UC Berkeley.

## **Jennifer Sobol**

Jennifer Sobol worked at the Port of San Francisco from 1992 to 2011, initially as a commercial property manager and leasing agent, and then as Senior Project Manager for waterfront development. She was responsible for overseeing and managing several complex public-private partnership development projects of piers on the National Register of Historic Places, including the historic rehabilitation and adaptive re-use of Pier 1 into Class A office; the restoration of Piers 1½-3-5 into offices, restaurants, water taxi landing/boat dock and public access; and the historic rehabilitation of Pier 15 by the Exploratorium museum. She negotiated the leases, development agreements and other transaction documents; assisted the developers in obtaining regulatory approvals, design review, and determinations of trust consistency; and assisted in obtaining Federal historic preservation tax credits.

Ms. Sobol has extensive experience in the leasing and management of commercial property, both in the private sector and within the Port's 7½ mile jurisdiction. She attended Stanford University, graduated from the University of California at Berkeley with a Bachelor of Arts Degree, and obtained her J.D. Degree from the University of California at Davis. She practiced law as a real estate attorney in the San Francisco Bay Area for many years and was a licensed California real estate broker.





## Exhibit E

### Evaluation of 20<sup>th</sup> Street Historic Buildings Developer Proposals

Developer Evaluation 20th Street Historic Buildings			
Developer Qualifications	Max	ECB	ODI
a) Successful track record of the Respondent (inc JV partners) & the development team in successfully rehabilitating, developing, & operating facilities similar to the proposed project.	7	6.3	7.0
b) Experience w/historic preservation projects, in particular with meeting the Secretary Stds.	4	4.0	4.0
c) Experience w/complex projects in identifying & securing target tenants, defining the rehab scope, structuring the transactions, securing necessary approvals, & managing construction.	4	3.5	4.0
d) Demonstrated ability to operate and maintain real estate projects once completed, including sustaining occupancy and addressing on-going operational needs.	3	2.3	3.0
e) Proven ability to work w/public agencies to achieve development desired by public sector	3	2.5	3.0
f) Sufficient staff and consultant resources to meet the project objectives.	3	3.0	2.0
g) Track record of local hiring and participation of locally owned businesses in prior projects.	2	1.8	1.8
h) Demonstrated ability to work w/local organizations and/or address community concerns.	2	2.0	1.5
i) Demonstrated understanding, ability, & flexibility to obtain key approvals & community support in a complex political & regulatory context.	2	2.0	2.0
Total	30	27.3	28.3
Rehabilitation Concept			
a) Consistency with the Port's Objectives for the 20th St Historic Buildings.	15	13.0	12.3
b) Fit of proposed use w/other uses identified in the Master Plan for 20th St & rest of P70.	5	3.8	4.3
Total	20	6.8	6.5
Feasibility			
Determining if the proposed Rehab Concept is feasible includes assessing the likelihood of Respondent & its concept meeting the Port's Objs in an expedient manner. Factors include:			
a) Evidence of ability of this Respondent to attract necessary public and private investment for the Rehab Concept proposed.	5	3.0	4.8
b) Feasibility of the Rehab Concept to address deteriorated state of the bldgs in near term.	5	3.3	4.8
c) The probability of obtaining approvals for the proposed design, given the historic status of the buildings and the physical and regulatory constraints on development.	5	3.8	4.3
d) Cash flow projections that demonstrate the project, once operational, will meet all lease, debt service and operating expenses.	5	2.3	4.0
e) Demonstrated strength of real estate market for proposed uses.	5	3.0	4.0
Total	25	15.3	21.8
Panel Review Total	75	59.3	66.5
Financial Capacity (evaluated by Conley Consulting Group)	25	14.0	23.0
Total	100	73.3	89.5



**Exhibit F**  
**Conley Consulting Group**  
**Evaluation of 20<sup>th</sup> Street Developer Proposals**







## Conley Consulting Group

### MEMORANDUM

January 27, 2012

*Revised* February 20, 2012

**To:** Port of San Francisco  
Kathleen Diohep, Project Manager-Planning & Development

**From:** Conley Consulting Group  
Denise Conley, Mary Smitheram-Sheldon  
  
Preservation Architecture  
Mark Hulbert

**Subject:** Pier 70 20<sup>th</sup> Street Developer Proposal Review

On October 4, 2011, the Port of San Francisco issued a Request for Proposals (RFP) for six buildings on or near 20th Street in the Pier 70 Master Plan area, the "20th Street Historic Buildings". The Port has retained Conley Consulting Group ("CCG") to review the proposals to support the developer selection process. This memorandum represents the findings of our review of the developer proposals and the supplemental materials submitted in response to clarification questions. CCG has reviewed RFP, the proposals submitted, identified clarification questions, and reviewed responses to these questions. In addition, CCG has conducted limited market research feasibility analysis and other research to inform this memorandum.

The 20<sup>th</sup> Street Historic Buildings are some of the most valuable historic resources in San Francisco. They are located on or near 20<sup>th</sup> Street at Illinois Street. The buildings include:

- Bethlehem Steel Office Building – Building 101
- Powerhouse – Building 102
- Union Iron Works Office Building – Building 104
- Union Iron Works Machine Shop – Building 113/114
- Union Iron Works Foundry – Building 115/116
- Heavy Warehouse – Building 14

For ease of discussion, this memorandum refers to buildings by number, such as B. 101 for Building 101, etc.

**Real Estate Economics  
Development Strategy  
Economic Development**

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20306.008 Pier 70 Developer Review Memo



Two developers presented proposals for rehabilitation of the six historic buildings at Pier 70<sup>1</sup> offered by the Port of San Francisco. The two proposers represent a range of approaches to the development opportunity, financing strategies and proposed structure of business terms with the Port.

The proposers are:

ECB/UP (ECB),	An association of Equity Community Builders (ECB), BUILD Inc., and UP, a non profit entity
Orton Development, Inc. (ODI)	A development company founded in 1987 by JR "Eddie" Orton III.

This memorandum is focused on review of proposals for the historic 20<sup>th</sup> Street buildings, which are the subject of the developer solicitation. Attached is a matrix that is organized by the evaluation criteria in the RFP, which focus on the developer qualifications, the proposed rehabilitation concept, the feasibility of the project, and developer's financial capacity.

## I. DEVELOPER QUALIFICATIONS

**ECB** Equity Community Builders (ECB) has joined forces with Build Inc. and UP for the current proposal. ECB has strong historic rehabilitation experience over its 18-year existence (see below). Other team members include Leddy Maytum Stacy (architects), Architectural Resources Group (historic architects), Jon Worden Architects (site planning), Murphy Burr Curry (structural engineering), Van Brunt & Associates (hazardous materials), Ross Construction and ConXtech (construction consultants), and Obscura Digital (communications). Potential tenants include Burning Man and Prescience International.

ECB has completed multiple historic preservation projects in the Bay Area, as well as other development experience focused on public private partnerships and fee development work for not for profit institutions. ECB has participated in 11 New Market Tax Credit projects and has secured historic preservation tax credits for prior projects. In addition to ECB, the development team includes BUILD, Inc, which has development experience in the Dogpatch neighborhood, and UP, a newly formed non profit that is included to tap additional subsidy and financing resources available to non profits. The professional team includes professional and technical services experienced with historic preservation, including ARG, historic preservation architecture specialists.

ECB is proposed as the development lead for B. 101, 102, 104, and 115-116, with UP/BUILD as the lead for B 113-114 and 14. Tenant and support letters submitted with this proposal cite the Urban Land Conservancy, UP's prior name, as the developer.

ECB developed the 160,000 SF Thoreau Center in partnership with the Tides Foundation at the Presidio; the \$103 M historic preservation of Cavallo Point Lodge in partnership with Passport Resorts at Fort Baker; Building 38, an historic preservation office project at the Presidio; the historic rehab of the Bay

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<sup>1</sup>Placeworks submitted a proposal limited to reuse of Building 14 as a winery production co-op. That proposal was withdrawn, but they remain interested in a Pier 70 location. CultureStructure Partners, LLC also submitted a proposal, but withdrew that proposal shortly after Placeworks withdrew theirs.



School in the Presidio, Oxford Plaza and the David Brower Center in partnership with Resources for Community Development in Berkeley; the 80,000 SF Ed Roberts Campus, a center for independent living in Berkeley, as a fee developer. ECB's projects often involve public-private partnerships, complex financing plans involving fundraising and public grants as well as Historic Preservation and New Market Tax Credits and high profile projects.

Build Inc. was established in 1999, and specializes in San Francisco residential in-fill development. It converted the Esprit headquarters into a condo project. It has produced residential units valued at \$120 million of, and is partnering with two REITs to develop 532 additional units valued at \$225 million. The Build partners have constructed over 10,000 homes in the Bay Area.

UP is a newly formed nonprofit development organization created by the Build partners to access social capital funds and socially responsible investment vehicles. It was formerly known as the Urban Land Conservancy. UP, not Build, Inc., is the proposed joint venture partner with ECB in the Pier 70 development.

UP is in the process of securing a 501c3 nonprofit corporation designation.

#### **ODI**

ODI has built over 60 projects in its 28-year history, including many projects involving rehabilitation and reuse of historic, obsolete industrial buildings into multi-tenant "New American Workplace" industrial spaces. The proposed Architect is Marcy Wong Donn Logan Architects, the architect for ODI's Ford Point project in Richmond, which won national awards for architecture and historic preservation. ODI lists other professionals with which it has worked in the past and might select for this project.

ODI most recently completed a \$50 million historic preservation of the 525,000 SF Ford Point building in Richmond. They are currently in the process of completing the \$7 million, 12,000 SF Rosie the Riveter visitor center adjacent to Ford Point in a structure formerly part of the Ford Assembly Plant, as a fee developer. ODI is currently renovating the 250,000 SF historic 1910 Elm Street Building as a small business hub in Cincinnati, a private transaction, and rehabbed the 250,000 SF Flint Ink factory into multi tenant industrial space, also a fully private transaction. ODI currently shows ownership interest in 32 properties in the Bay Area and elsewhere in the US.

ODI invests its own capital as permanent equity and as predevelopment funding, has partners on some of its projects, and primarily uses bank financing for development.

Both developers demonstrate significant historic preservation credentials.

## **II. REHABILITATION CONCEPT**

The RFP requested a "Rehabilitation Concept" that includes the proposed rehabilitation and use of one, some, or all of the 20th Street Historic Buildings, as well as a preliminary financing strategy. The RFP also provided a set of Port development objectives for the site and encouraged land uses. This RFP is one of several actions implementing the Port's Pier 70 Preferred Master Plan ("Master Plan"), which was developed through a community planning process.





The table below shows the land uses proposed by each team.

<b>TABLE 1: PROPOSED USES, 20<sup>th</sup> STREET HISTORIC BUILDINGS</b>						
<b>BLDG</b>	<b><u>101</u></b>	<b><u>102</u></b>	<b><u>104</u></b>	<b><u>113-114</u></b>	<b><u>115-116</u></b>	<b><u>14</u></b>
ECB	Offices	Café/restaurant/ bar/museum	Offices	Workspaces/ Offices	Clean Tech Incubator	Workspaces
ODI	Offices	Meeting/class rooms/workout; restaurant	Office/ showroom	21 <sup>st</sup> Century Industrial	21 <sup>st</sup> Century Industrial	21 <sup>st</sup> Century Industrial

Source: Conley Consulting Group, January 2012.

#### **ECB**

This proposal includes different improvement strategies for the different buildings. Extra floors are added to B. 113-114 (mezzanine only) and B. 115-116. ECB proposes a phased rehab plan to accommodate near term or interim tenants that require minimal improvement, such as ComXTech and Burning Man. Activities associated with Burning Man are a proposed use of the Machine Building Piazza.

ECB estimates project parking requirements at 500 spaces, but proposes to reduce this by measures including TDM in the predevelopment stage. ECB development costs are based on 2008 estimates prepared for the Port, escalated at 2.5% per year to 2014, plus 10% contingencies for both design and for hard costs.

#### **ODI**

The proposal adds extra floors to B. 113-114, 115/116, and 14, citing a need for added lateral stability for seismic strengthening. The proposal does not specify the number of parking spaces required, citing the desire to work with Forest City and local businesses on a plan to minimize auto demand within the context of city regulatory policy, and to develop a transportation node.

The proposals represent a wide range of approaches to redevelopment of the historic buildings. All of the reuse concepts are presented at conceptual level, and it is not possible to determine whether these concepts can be developed in compliance with Secretary of the Interior Standards. For example, several proposals included adding floors within existing structures. We note that this was suggested in the Port's Master Plan feasibility analysis, and acknowledge that there are limitations, but not outright prohibitions to doing so in a historic preservation project. While there is no conclusion possible at this point, we note that the final of historic preservation approvals required review of detail that are not yet developed for any of these proposals.

We note below that while proposed use of some buildings is fairly uniform across proposals (e. g. B. 101 and 102) there are other buildings for which a range of uses are proposed. At this conceptual stage, it is not feasible to determine if the use proposals are inconsistent with historic preservation standards.



### III. FEASIBILITY

#### A. Proposed Market Concepts

None of the respondents provide a rigorous market justification for their development concept. In fact, several included standard broker reports not specific to the market niche proposed for the 20<sup>th</sup> Street Buildings.

**ECB** A range of uses is proposed, including small offices for B. 101 and 104, restaurant and community uses in B. 102, a clean tech incubator for B. 115-116, and work spaces in B.113-114 and 14. Letters of potential tenant interest are submitted from ConXtech (a manufacturer of steel frame construction systems, as a near term use of B.115-116), Burning Man (use of B.14 & the courtyard for events) and the Museum of Craft and Design. Prescience is named as the operator for the clean tech incubator in B. 115-116.

**ODI** The market concept for B. 113-114, 14, and 115-116 is the New American Workplace, a diverse tenant mix of 21<sup>st</sup> Century American industries including crafts, production, and green energy. This mix is similar to the business mix in other ODI projects in the Bay Area and beyond. B. 101 is envisioned as an office building and the entry to the project, with B. 102 as a restaurant over a lower level meeting classroom, and workout area.

#### B. User Rents

As shown below, a wide range of supportable rents are proposed for the subtenants of the project.

<b>TABLE 2: PROPOSED RENTS, 20<sup>th</sup> STREET HISTORIC BULDINGS (\$/sf/year)</b>						
<b>BLDG</b>	<b><u>101</u></b>	<b><u>102</u></b>	<b><u>104</u></b>	<b><u>113-114</u></b>	<b><u>115-116</u></b>	<b><u>14</u></b>
ECB	33	34 <sup>2</sup>	30	26	70 <sup>1</sup>	18
ODI	24	24	24	18	18	18
Source: Conley Consulting Group, January 2012. All Rents proposed as \$/SF NNN, except indicated (1) Full service rents (2) For 5,000 SF.						

**ECB** Development would occur in four phases over a four to seven year period, with B. 113/114 in the fourth phase. Triple net rents range from \$18/SF at B. 14 to \$33/SF at B. 101 and \$34/SF for a 5,000 SF restaurant in B. 102. B. 115/116, proposed to be occupied by the clean technology incubator, has a proposed rent of \$70/SF, full service. This rent is based on input from Prescience International, the potential operator (see discussion in the following paragraph). However, market support is not provided for the remaining rents, which are higher than those indicated by other respondents for nearly all the buildings and at the upper end of the market range, especially since the rents are based on a triple net expense structure.

Nearby examples of a clean technology incubator include QB3 and the Mission Bay Innovation Center in the FibroGen Building. This Mission Bay center, which started in mid-2009 with 2,500 square feet as a way to use excess space, now





has 25,000 square feet of space occupied by 25 companies (Source: San Francisco Business Times). Rents are reportedly in the mid-\$40s/SF range.

Prescience reportedly achieves rents up to \$120/SF at the San Jose BioCenter after eight years in a market with no other competing biotech incubators. The proposed clean technology center at Pier 70 will compete with QB3 and the Mission Bay Innovation Center, which should command a rent premium compared to the Pier 70 area, at least initially. Thus, the \$70/SF rent for Pier 70 appears aggressive in the absence of supporting information.

**ODI**

ODI forecasts an overall absorption rate of 2.5 years (155,000 square feet per year), with initial tenant move-ins 18 months after start of construction, and full occupancy (at 90%) in 2016. However, ODI notes that construction is typically phased based on tenant interest. Triple net proforma rents of \$18/SF per month for industrial space and \$24/SF per month for office (and retail space) are shown.

The office/retail rent is in the market range, while the industrial rent is higher than market average for more traditional industrial space (particularly given an assumption of triple net expenses), but similar to American Industrial Center rents. As with the other proposals, no information is provided to support these rent estimates.

**C. Use of Tax Credits**

Both developers state that they intend to use federal Historic Preservation Tax Credits (HPTC). However, administering the HPTC over a multi-year project is not straightforward – they are typically used in three or five year increments, at the end of which, project completion is required. Each of the three developers largely value the 20% credit at face value. ECB, for example, appears to calculate the credit against all project costs excepting site improvements, understanding that site improvements do not typically apply to the rehabilitation credit. However, we note that tenant improvements also do not qualify for the credit.

**D. Project Phasing**

**ECB**

The first phase includes B. 101 (small scale office) and B. 115-116 (Clean Tech incubator). The first phase is projected to generate a net surplus (e.g. projected revenues support \$4 M more investment than required). ECB proposes to reinvest this surplus into the other buildings, each of which has a feasibility gap. The second phase is B.104 and 14, with B. 102 and B.113-114, each representing another subsequent phase. Additionally, ECB proposes ComXtech as an early user of B. 115-116 and Burning Man as an early phase use for B. 14.

**ODI**

During presentations the developer proposed development of B. 101 as a first phase, and speculated that build out would be completed rapidly following resolution of wider project issues, including utility and infrastructure improvements by others. No building-specific phasing schedule is proposed.



## **PUBLIC OUTREACH**

On January 20, 2012, the Port Commission heard short presentations from the developers. Since January 13, 2012, summaries of each submittal have been available on the Port's web site. The Port's Central Waterfront Advisory Group (CWAG) hosted a community meeting at the Potrero Hill Neighborhood House on Wednesday, February 8, 2012. Over 50 people attended including neighbors from Potrero Hill, Dogpatch, Showplace Square, Mission Bay and China Basin. Both prospective developers presented their team and proposal for the 20th Street Historic Buildings. They were asked by CWAG members to address the following questions in their presentations:

1. How will you address the condition of the buildings and minimize the risk of further deterioration?
2. How will you determine uses that are feasible and will arouse the interest of the public and of other businesses/institutions? Please consider in your answer, impact on the surrounding neighbors and businesses.
3. In general terms, how will you fund this project?

After each presentation, CWAG members and the public asked additional questions of each team.

After these presentations, and without the prospective developer in the room, the CWAG members and the public discussed the two developers, identifying strengths and issues of concern. Similar to the evaluation discussed above, the community and the CWAG recognized that these are two very strong, capable developers with substantial historic preservation experience.

The ECB/UP team is well-known to the local community through Build's work on the Esprit Park project near Pier 70 where they worked closely with the community to craft a well-received project. The Burning Man participation and other arts-related uses in their proposal appealed to CWAG and the community as activating uses for 20<sup>th</sup> Street. ECB's experience at the Presidio was cited as a strength of the team. Concerns over the strength of ECB/UP's financial capacity and whether this project is too big for the ECB/UP team were raised.

Although Orton has no San Francisco projects, the historic rehabilitation of the Richmond Ford Plant, their industrial experience and experience in Berkeley (where development is scrutinized closely) were discussed as strengths of the team. CWAG and the community viewed Orton's proposal to invest substantial equity in the project and relocate its offices to the site as strong statements to its commitment to the project. Orton and its concept were seen as practical, comprehensive, and nimble. Concerns consisted of how active and public the uses would be included in the Orton vision of the project and that this group is not local to San Francisco.

Several overarching issues were raised that address the potential project independent of the developer selected:





- Strong desire to return these buildings to use as soon as possible
- An opportunity to expand and reinforce the economic diversity and vibrancy of the neighboring areas
- Uses must be compatible with 24/7 ship repair industrial uses
- Recognition that this is a costly project and the importance of a strong funding strategy
- Opportunities for creating synergy between the use of the buildings and drawing connections between the activities in each building
- Urgency to stabilize the buildings to forestall further deterioration
- Concerns about how this project can proceed in a timely fashion due to infrastructure needs and community review process
- Ideas were raised as to if the two developer teams could collaborate on the project combining their differing strengths and community history

This meeting was very productive in advancing the community's understanding of options for the site's future and demonstrated continuing support for revitalizing Pier 70 and these historic buildings in particular. The Port will continue to work closely with CWAG and the community in the revitalization of 20<sup>th</sup> Street.

### **EXCLUSIVE NEGOTIATIONS PROCESS**

The Port Commission has the sole discretion to award the development opportunity for the 20th Street Historic Buildings. Upon the Port Commission's award, Port Staff and the chosen developer will negotiate the terms of an Exclusive Negotiation Agreement ("ENA") committing the Port to not enter negotiations concerning the 20th Street Historic Buildings with any other party (other than for interim use) during the exclusive negotiation period. The ENA will also govern how required agreements will be negotiated. It will specify time frames and milestones for Port Commission and Board of Supervisors and other required agencies review and approval.

During the period of exclusive negotiations, the following events are anticipated:

- The developer will prepare a development project proposal to respond to the objectives of the RFP in the context of the Master Plan
- The Port and the Developer will negotiate documents for the lease and development of the site, including the Port's and developer's respective responsibilities, the economic parameters, development standards and requirements, and a performance schedule, in a final form approved by the City Attorney's Office.
- The developer will complete its due diligence review of the site, finalize financial projections and complete preliminary plans.
- The developer will secure financial commitments for the proposed project from lenders and/or equity sources.
- The developer, with the Port's cooperation, will complete the project approval process and any required environmental review.





**TABLE 5: PIER 70 20th STREET PROPOSALS SUMMARY OF FINANCIAL TERMS**

	ECB		ORTON	
New Floors Added to Bldgs:	B. 113-114 (mezz), B. 115-116(1 floor), B. 14 (2 floors)		B. 113-114(1 floor), B. 115-116 (1 floor)	
Net Rentable SF <i>(after rehab)</i>	292,960		386,500	
Avg Hard Cost/SF	\$299	/SF	\$181	/SF
Contingency Allowance	\$14,649,971		\$6,997,500	
Total Development Cost	\$140,267,384		\$ 97,965,000	
Avg Total Cost/Rentable SF	\$450	/SF	\$253	/SF
Proposed Equity Investment (Excluding HPTC)	\$17,609,969		\$14,694,750	
HPTC	\$27,623,476		\$18,456,394	
Residual Value/(Gap)	(\$9,271,019)		\$4,614,152	
Minimum Rent To Port	-	(1)	\$ 141,647	(2)
<p>(1) ECB makes no mention of ground lease payments to the Port.  (2) Not proposed as minimum rent. ODI proposes Rent to Port at a 50-50 split of net income after debt service and preferred equity return.</p>				
Source: Conley Consulting Group, January 2012				

## V. Financial Capacity

### ECB

ECB typically raises both debt and equity to finance development projects. Its financial statements reveal adequate resources to fund predevelopment activity up to the point where a "creative solution" to project feasibility issues is found, after which time fundraising for equity will begin.

However, we note that ECB's pipeline includes several projects larger than its past redevelopment history. These projects may compete for at risk capital with the 20<sup>th</sup> St. buildings. ECB does not identify a source of project guarantees or bonds.



Information from ECB indicates one current real estate loan in the single projects in its portfolio.

ODI

ODI has sufficient cash and cash equivalent resources to fund the \$14 M estimated equity requirement, plus portfolio of assets that generate additional cash in the high seven figures, annually. The guarantor would be ODI, which also has equity in the assets valued in the high eight figures. The financial statement showed lender relationships with 18 banks as well as with institutional investors.







## MEMORANDUM

February 23, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer *M. Moyer*  
Executive Director

**SUBJECT:** Request approval of business terms for a proposed Sixth Amendment to Lease L-11320 with BAE Systems San Francisco Ship Repair, Inc. for a portion of the Pier 70 Master Plan area and authorization of Executive Director, or her designee, to negotiate and enter into the proposed Sixth Amendment.

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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### Executive Summary

This memorandum requests that the Port Commission approve a Sixth Amendment to the Port's lease with BAE San Francisco Ship Repair Inc. (BAE SFSR) a subsidiary of BAE Systems Inc. BAE SFSR operates the shipyard at Pier 68 and Seawall Lot 349, within a geographic area commonly called Pier 70 ("Pier 70"). The primary impetus for the amendment is to enable the construction, operation and financing of a new \$5.1 million shoreside power system and removal of seven PCB containing transformers at a cost of \$600,000 at the shipyard ("Pier 70 Shoreside Power System"), for a total expenditure of \$5.7 million. Installation of this system is a required environmental mitigation measure included in the Final Environmental Impact Report studying the environmental impacts of the 34th America's Cup and James R. Herman Cruise Terminal and Northeast Wharf Plaza projects under the California Environmental Quality Act ("CEQA").

Attachment A is the Letter of Intent ("LOI") dated February 6, 2012, between the Port, the San Francisco Public Utilities' Commission ("SFPUC") and BAE SFSR agreeing to the economic terms that allow for this \$5.7 million upgrade to the electrical systems. The Port will pay for the costs of the upgrade and removal of the existing obsolete

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equipment, capped at \$5.7 million, and BAE SFSR will install the system. The Port will own the shoreside power system. To offset the Port's cost, BAE SFSR will pay an equipment charge on the electricity used over this system ("Equipment Charge"), and, once a specified usage threshold is reached, SFPUC will provide a rebate of \$1.5 million to the Port that will offset a part of the costs of the upgrade ("Project Rebate"). Port staff projects annual debt service on the Pier 70 Shoreside Power System of \$780,000 annually for a period of ten years.

In addition to addressing shoreside power, the proposed Lease amendment provides for realignment of the leasehold premises boundaries to accommodate rehabilitation of historic buildings adjacent to the shipyard, establishes a cost-sharing mechanism for future dredging of the Central Basin if required, and addresses other lease issues.

### **Relationship to the James R. Herman Cruise Terminal and the 34<sup>th</sup> America's Cup**

An existing shoreside power system installed at Pier 27 in 2010 has been temporarily decommissioned to accommodate the Port's construction of a new cruise ship terminal at Pier 27 and the use of Pier 27 during the 34<sup>th</sup> America's Cup activities in 2012 and 2013. Reinstallation will occur after completion of the cruise terminal facility, anticipated for the second half of the 2014 cruise season. The Final Environmental Impact Report studying the environmental impacts of the 34th America's Cup and James R. Herman Cruise Terminal and Northeast Wharf Plaza projects ("AC34 and CT FEIR") under the California Environmental Quality Act ("CEQA") concluded that the temporary shutdown of the existing shoreside power system would have a significant environmental impact on air quality.

The Port Commission adopted CEQA findings and a Mitigation Monitoring and Reporting Program (the "MMRP") for the projects. The MMRP includes Mitigation Measure M-AQ-4e, requiring the installation and operation of a 12 MW shoreside power system at the Port's Drydock #2 to serve large cruise, military, and other vessels while they are in drydock. If the Pier 70 Shoreside Power System is installed and operational in 2012, the environmental impact on air quality of decommissioning the Pier 27 shoreside power system temporarily to accommodate the AC34/Cruise Terminal Project would be reduced to less than significant levels.

### **Ship Repair Background**

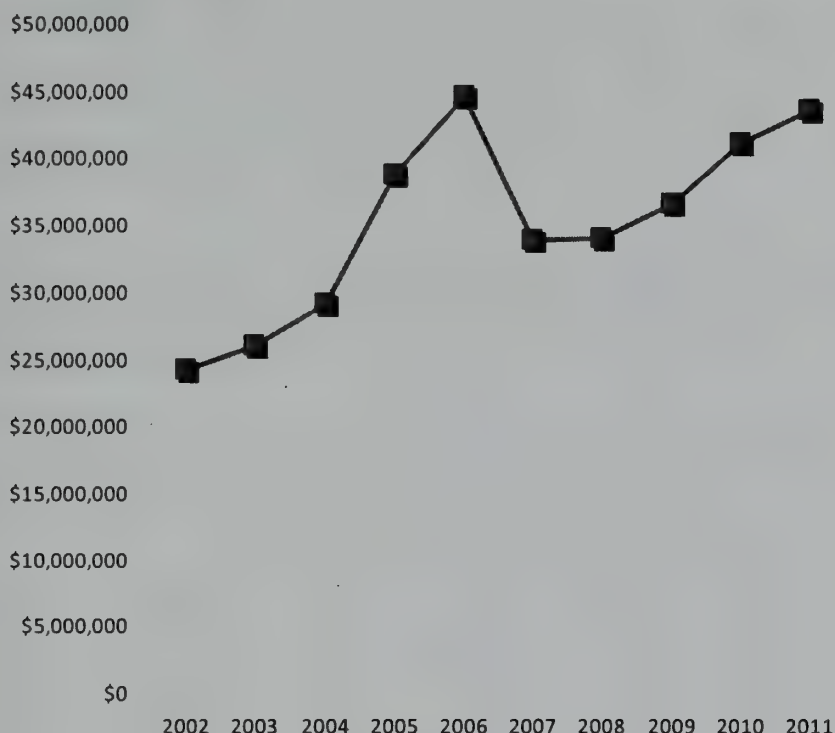
BAE SFSR currently leases 15 acres of land and 17.4 acres of water at Pier 68 and SWL 349 within the Pier 70 Master Plan area, where it or predecessor entities have conducted ship repair operations pursuant to the Lease since 1987. Over the years, the original lease has been modified by five amendments (as amended, the "Lease"). Twenty buildings, two floating drydocks, and seven functional cranes also comprise the leasehold. Currently, BAE SFSR pays rent of 3.3 percent of gross on-premises revenues with an annual guaranteed minimum of \$950,000 that increases to \$1,050,000 on January 1, 2013.





San Francisco's most marketable features in the ship repair business are its floating drydock (the largest floating drydock dedicated to ship repair in all the Americas), and its central-coastal geographic location, which makes it an effective location for both northbound and southbound migratory cruise and tanker fleets. BAE SFSR has made a successful transition over the past twenty years from being highly dependent on defense work, to being highly competitive in the commercial ship repair markets. When the Bay Area base closures occurred in the early 1990s, Southwest Marine (the original tenant under the Lease) lost nearly 80 percent of its business. Since then, the core business of the shipyard operation has shifted to a mix of tanker, cruise, tug & barge, plus emergency cargo ship repairs.

### BAE SFSR Annual Ship Repair Revenues



In 2007, the Port, BAE SFSR and Princess Cruises, the Port's largest cruise customer entered into agreements whereby the Port, Princess Cruises and BAE SFSR partnered to fund \$5 million worth of improvements to the Port's floating Drydock #2. These modifications allowed the drydock to serve a new market of post-Panamax cruise and tanker vessels where the shipyard previously had no capability. This joint investment encouraged cruise calls from Princess Cruises, its affiliated fleets, and other cruise lines that resulted in increases in shipyard business that otherwise would not have occurred. In 2011, BAE SFSR performed emergency repair of a Carnival Cruise Line ship that had broken down near San Diego. If the Port's drydock had not been upgraded to allow for repair of post-Panamax cruise and tanker vessels, the only other choice for Carnival Cruise Line would have been to tow its cruise ship to Asia, an extremely lengthy and costly endeavor.





## Pier 70 Shoreside Power System

BAE SFSR proposes to enhance the ship repair facility by modifying the existing shoreside power at the facility to accommodate the requirements of cruise ships, the latest generation of higher power consuming military tankers such as the "Lewis and Clark" class (AKEH), "Supply Class" (AOEH), and other envisioned ships of the future. The modification would allow the ships to use 8,000 Amps of shoreside power rather than generating electrical power by operating diesel engines. The project will remove obsolete electrical equipment including seven PCB-containing transformers. Only limited new trenching will be required for electrical lines as much of the upgrade can use existing utility trenches.

The new shoreside power facility will enable BAE to provide electrical power to passenger cruise, military, cargo and other industrial maritime vessels, and to operate at significantly more cost-effective levels through the reduction in equipment and power supplies, making the shipyard much more competitive. Additionally, since vessels in drydock would get power from the shoreside power facility, instead of running their diesel engines, the reduction in emissions is quite significant.

ENVIRON engineers prepared an estimate of the benefit of the project as shown in the table below. Please note that this estimate assumes a conservative number of ships (less than 20 ships for about 400 days total during the 2014 to 2017 period) that would use the shore power facility based on potential ship repair contracts.

<b>Table 1: Pier 70 Shore Power Project Air Quality Benefits</b>						
<b>Year</b>	<b>Emissions Reductions Estimates (tons per year)</b>					
	<b>ROG</b>	<b>NOx</b>	<b>PM</b>	<b>CO</b>	<b>SOx</b>	<b>CO2</b>
2012	8.86	176	5.18	15	28	8,791
2013	10.83	215	6.33	18	35	10,743
2014	8.58	170	3.3	15	5	8,515
2015	0.78	15	0.3	1	0	774
2016	4.98	99	1.92	8	3	4,941
2017	11.71	232	4.5	20	7	11,616
<b>6 Year Total</b>	<b>45.74</b>	<b>907</b>	<b>21.53</b>	<b>77</b>	<b>78</b>	<b>45,380</b>

*Table 1 notes are on the following page.*



**Notes:** Environ, November 23, 2011 Analysis

Glossary of Terms: California Air Resources Board, Glossary of Air Pollution Terms

ROG = Reactive Organic Gases, which are photochemically reactive chemical gas, composed of non-methane hydrocarbons, that may contribute to the formation of smog.

NOx = Nitrogen Oxides which are typically created during combustion processes and are major contributors to smog formation and acid deposition and may result in adverse health impacts.

PM = Particulate Matter which is any material, except pure water, that exists in the solid or liquid state in the atmosphere. The size of particulate matter can vary from coarse, wind-blown dust particles to fine particle combustion products.

CO = Carbon Monoxide is a colorless, odorless gas resulting from the incomplete combustion of hydrocarbon fuels. CO interferes with the blood's ability to carry oxygen to the body's tissues and results in numerous adverse health effects.

SOx = Sulfur Oxides are pungent, colorless gases (sulfates are solids) formed primarily by the combustion of sulfur-containing fossil fuels, especially coal and oil. Considered major air pollutants, sulfur oxides may impact human health and damage vegetation.

CO<sub>2</sub> = Carbon Dioxide is a colorless, odorless gas that occurs naturally in the Earth's atmosphere. Significant quantities are also emitted into the air by fossil fuel combustion.

Table 2 below shows the air quality benefits of the Pier 70 Shore Power project which offset the impacts of the 2012 and 2013 America's Cup Race Operations. The project reduces total project air emissions to below zero in three of four criteria air pollutants analyzed in the AC34 and CT FEIR.

<b>Table 2: 34<sup>th</sup> America's Cup Mitigated Air Emissions</b>				
<b>Maximum Annual Emissions (short tons)</b>	<b>ROG</b>	<b>NOx</b>	<b>PM10</b>	<b>PM2.5</b>
2012 and 2013 AC Race Operations w/Mitigations	112	180	7	7
Pier 70 Shoreside Power Reductions	-20	-346	-12	-12
<b>Mitigated Total AC34 Emissions with Pier 70 SSP</b>	<b>92</b>	<b>-166</b>	<b>-5</b>	<b>-5</b>

**Source:** AC34 and CT FEIR Case 2010.0493E, Air Quality Analysis, Environ, 2011





## **Shoreside Power Agreement among the Port, SFPUC and BAE SFSR**

The Port has negotiated the LOI with BAE SFSR to purchase, construct and install a 12MW shore power system for the drydocks and piers within their leasehold. Under the proposed terms, the Port will pay a maximum of \$5.1 million to BAE SFSR for the Pier 70 Shoreside Power System, and the Port will provide an additional \$600,000 to BAE SFSR for disposal of seven PCB transformers removed as part of this project<sup>1</sup>. BAE SFSR will pay any costs for the project in excess of \$5.7 million. BAE SFSR will design, supervise, and be responsible for the satisfactory completion of the Pier 70 Shoreside Power System. Similar to most of the equipment at the shipyard, the Port will own the Pier 70 Shoreside Power System on completion of the project.

Once the Pier 70 Shoreside Power System is complete, BAE SFSR will continue to pay energy and demand charges as presently billed by SFPUC for electrical services at the drydock, but will pay an additional equipment usage fee to the Port in the amount of \$0.04 per kilowatt hour of electricity supplied by the Pier 70 Shoreside Power System until the Port recoups the cost of the project. SFPUC will continue to provide electricity to the project and has agreed to provide to the Port a rebate of \$1.5 million of the project construction costs after the project uses approximately 65 million kWhs. The system is projected to be operable by September 2012.

### **Pier 70 Shoreside Power System Economic Terms**

This project will cost the Port no more than \$6.36 million in 2012 capital outlay. This includes the project cost of \$5.7 million, a debt service reserve fund of \$606,000 and a \$50,000 cost of issuance. The Port anticipates the total repayment cost of the project, including interest, will be \$7.8 million<sup>2</sup> over a ten year financing period. The Port's payback will come from two sources:

1. BAE will pay the Port an Equipment Charge of \$0.04 surcharge per kilowatt hour of electricity supplied by the Pier 70 Shoreside Power System, and
2. SFPUC will pay the Port a Project Rebate of \$1.5 million from if approximately 65 million kWhs are used by the Pier 70 Shoreside Power System.

Staff has developed two scenarios for the amount of revenues the Port will collect from the equipment charge based on different assumptions of additional power utilization. Over the 2012 to 2017 time period remaining on the Lease, the revenues collected from the equipment charge is estimated to range between \$2.6 to \$4.1 million. Thus, even assuming that the Port will receive the \$1.5 million SFPUC Project Rebate before the Lease terminated, the Port's total project costs will not be repaid in full by its revenues from the equipment charge before the Lease ends in six years.

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<sup>1</sup> The Lease includes provisions for rent credits for the full costs of PCB transformer removal; as such these are Port costs whether or not the shoreside power project occurs.

<sup>2</sup> The final cost will vary depending on interest rates. This estimate assumes taxable debt.



The LOI specifies that the equipment charge will continue until the Port has been repaid its project costs, including interest and debt issuance costs. Port staff's current understanding of the ship repair market and the condition of the Port's drydocks suggest that there will continue to be a viable ship repair business beyond 2017. Over a 10 year period after installation, the anticipated revenue ranges from \$5.8 to \$8.3 million suggesting it is likely the Port will recover 75% of the project costs and potentially all of it from the surcharge and rebate revenue.

The Port is taking a financial risk in funding this upgrade of the electrical systems. It is not certain that the additional payments by BAE SFSR and the rebate from the SFPUC will occur at levels great enough to pay back the funds borrowed. However, this investment addresses an important air quality concern and removes out-dated electrical equipment that the Port needs to address.

### **Pier 70 Shoreside Power System Long and Short-Term Funding Strategy**

Port staff is investigating with the Controller's Office the option of adding funding for this project to a planned debt issuance for the Pier 27 Cruise Terminal later this fiscal year. City staff is investigating the potential of issuing Certificates of Participation for both of these projects. By combining the debt for the Pier 70 Shoreside Power System with planned debt for the cruise terminal, Port staff hopes to reduce issuance costs and obtain a favorable interest rate. Annual debt service on the project is estimated at \$780,000.

In order to facilitate timely project delivery, Mayor Ed Lee and Supervisor Malia Cohen also introduced a short-term funding strategy in the form of a supplement appropriation ordinance de-appropriating \$5,700,000 of the Port's Series 2010 Revenue Bond proceeds from the Port's planned Backlands project<sup>3</sup> and re-appropriating these proceeds to the Pier 70 Shoreside Power Project in the Port Commission for FY2011-2012 (File #120123). The ordinance is also pending consideration by the Budget and Finance Committee of the Board of Supervisors. Depending on actual cash outlays required for the project, the amount of temporary borrowing from the Backlands project may be reduced significantly. The Port is continuing to work with BAE SFSR and its contractor to determine a funding schedule for the project.

When Port staff obtains the necessary approvals for planned long-term debt for the Pier 70 Shoreside Power System and obtains debt proceeds, these funds will be used to reimburse the Backlands project so that project can proceed to construction.

Any re-appropriation of funds authorized by the Board of Supervisors is also subject to Port Commission approval. Port staff is working with BAE SFSR to determine the exact

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<sup>3</sup> The Pier 90-94 Backlands project involves the Port's largest unleased area of Port property is the Pier 90-94 Backlands, an area of unengineered fill not suitable for commercial buildings without the inclusion of costly pile supported foundations. The Series 2010 revenue bonds included \$8 million in funding for new road and utilities to support new industrial leasing plots that are planned for the site. DPW staff is currently developing construction documents. Port staff expects that the project will be advertised for bids sometime in spring of 2012. Construction is expected to be completed in 2013.





schedule of payments needed to facilitate the Pier 70 Shoreside Power System and will return to the Port Commission to seek approval of a funding schedule for the project.

### **Ordinance Authorizing the Pier 70 Shoreside Power Project**

On February 7, 2012, Mayor Ed Lee and Supervisor Malia Cohen introduced legislation (File #120124) to the Board of Supervisors authorizing the Port Director to execute an agreement with BAE SFSR to install shoreside power equipment at Drydock #2 for an amount not to exceed \$5.7 million and exempting the agreement from the contracting requirements of the San Francisco Administrative Code and the San Francisco Environment Code ("Shore Power Ordinance").

Typically, publicly funded projects that contemplate improvements to City-owned property are treated as public works projects under City law, and are subject to competitive-bidding and related contracting requirements.

One of the first projects that will be implemented to facilitate Phase 1 construction of the Pier 27 Cruise Terminal is decommissioning of the Pier 27 Shore Power System, which will occur in February 2012. To offset the increased emissions that will result from this action, it is extremely important to accelerate implementation of the Pier 70 Shore Power System. Port staff believes that the time required to execute a competitive bid for this project through the City's normal contracting process would delay project implementation, thereby reducing its effectiveness as an emissions offset project.

The Lease between the Port and BAE SFSR includes use of Drydock #2 and assigns responsibility for maintenance of this asset to BAE SFSR. As described above, BAE SFSR has expertise in making improvements to Drydock #2, having recently installed the improvements that increased its capacity.

For these reasons, the Shore Power Ordinance would authorize the Port to contract directly with BAE SFSR to implement the project, at a cost not-to-exceed \$5.7 million, with an expected implementation date of September 2012. The ordinance is also pending consideration by the Budget and Finance Committee of the Board of Supervisors. The ordinance requires the Port Director to find that it is "economically or technically infeasible to complete the project using a current certified City contractor." For the reasons described above, the Port Director makes this finding.

The Shore Power Ordinance delegates authority to the Port Director to impose any City contracting requirement (such as prevailing wage) in her discretion. BAE SFSR has selected Eaton Corporation to design and build the Pier 70 Shoreside Power System. Port staff will work with Eaton Corporation to seek status as being eligible to do business with the City and County of San Francisco, although technically, the City will not enter a contract with Eaton Corporation under this arrangement.





If the Shore Power Ordinance is approved, Port staff will include contract terms governing the construction, operation and maintenance of the Pier 70 Shoreside Power System in the proposed Lease amendment.

### **Pier 70 Shoreside Power System Memorandum of Understanding with SFPUC**

In order to finalize the terms of the LOI, Port staff will work with the SFPUC to develop a Memorandum of Understanding with the San Francisco Public Utilities Commission describing the roles and responsibilities of each agency with respect to the Pier 70 Shoreside Power System ("Pier 70 SFPUC-Port MOU"). SFPUC will monitor and report electricity utilization to both the Port and BAE SFSR in order to facilitate Port quarterly billing of the Equipment Charge of \$0.04/kWh (which will be billed on the Port's quarterly rent invoices). The Pier 70 SFPUC-Port MOU will also describe how the SFPUC will pay the \$1.5 million Project Rebate if the Pier 70 Shoreside Power System uses approximately 65 million kWhs.

Port and SFPUC staff will seek approval of the Pier 70 SFPUC-Port MOU by the Port Commission and the SFPUC in March 2012.

### **Additional Lease Amendment Terms**

BAE SFSR and the Port have reached agreement on several other lease amendment terms. If authorized by the Port Commission, these will also be incorporated into the Sixth Amendment. Most of these address "housekeeping" premises changes and will be implemented with no change in the rent (except as noted) or other terms of the Lease.

#### *Reversion Area*

Portions of the leasehold area are due to revert back to the Port to accommodate the Development Opportunity area identified in the Waterfront Land Use Plan. These areas are referred to as the "Reversion Area" in the Fifth Amendment executed in 2007. The Lease now requires BAE SFSR to return the Reversion Area to the Port on December 16, 2012 or pay fair market value rent for these sites.

BAE SFSR has indicated that they are not currently using portions of the Reversion Area now. Other areas, however, are in use and would require significant costs to relocate operations. It is in the Port's interest to retain the unused portions in the secure area of BAE SFSR's leasehold and to not relocate BAE SFSR out of functional facilities until the facilities are needed for future uses of the Port. Empty buildings have been an on-going source of vandalism and security problems within the entirety of the Pier 70 Master Plan Area. BAE SFSR and the Port staff have agreed that the reversion areas will return to the Port with either six months or one year notice. A small area of 18,000 square feet of land will be added to the lease premises until 2017.



### *License Area*

In addition, under license L-13747, BAE SFSR leases 10,000 square feet (.23 acre) on a month-to-month basis for an annual rent of \$24,000 a year. BAE SFSR would like to retain use of this area for its operations. However, this area is identified to be part of the future Crane Cove Park in the Pier 70 Master Plan.

In the proposed lease amendment, this area will be treated as a Reversion Area subject to return with a minimum one year notice. The annual minimum guaranteed rent will be increased by \$24,000 per year as long as BAE SFSR is still using this area. The \$24,000 will be subject to annual increases of 5%.

### *Access to adjacent Historic Buildings*

Several historic buildings are adjacent to the leasehold and will require premises modifications for access to these buildings for rehabilitation. This will be accommodated by a change in premises and fence lines, with six months' notice, to allow access to Buildings 102 and 104 on 20<sup>th</sup> Street and to Building 6 at the eastern edge of the site.

### *Dredging*

The Lease does not address who is responsible for dredging the Central Basin adjacent to the shipyard. The Port used FEMA funds received for earthquake damage to the shipyard facilities in 1997 to dredge the basin. In Summer 2011, the Port and BAE SFSR shared the cost responsibility for dredging in the Central Basin due to inadequate existing depths that precluded larger ships from accessing the facility. The Port is seeking to have the Central Basin designated as a federal navigation corridor which would assign responsibility to the U.S. Army Corps of Engineers for all future maintenance dredging of the San Francisco Central Basin.

BAE SFSR has agreed to pay half the costs of such future dredging of the Central Basin if determined by the Port and BAE SFSR that such dredging is required.

### *Longer Lease Term*

As BAE SFSR approaches the end of its 2017 term, and as the master planning for Pier 70 is implemented, the Port expects to have additional negotiations with BAE SFSR about its leasehold and future term. This lease amendment will include terms under which the Port will initiate a competitive bidding process for the site as ship repair or other similar maritime facility on July 1, 2015 if BAE SFSR and the Port have not agreed to the terms of a new lease.





## **CEQA and Permitting**

The Pier 70 Shoreside Power System has been evaluated pursuant to CEQA requirements. The new installation was identified as a required mitigation measure in the AC34 and CT FEIR certified by the Planning Commission on December 15, 2012. The proposed Lease amendments enable BAE SFSR to continue current ship repair operations, which are also covered by the AC34 and CT FEIR. The project will be subject to a Port building permit issued by the Chief Harbor Engineer.

## **Recommendation and Next Steps**

Port staff recommends that the Port Commission approve the attached resolution. Port staff will provide staffing support to the ordinances introduced by Mayor Ed Lee and Malia Cohen to facilitate the project, and will return to the Port Commission to seek approval of an exact funding schedule for the Pier 70 Shoreside Power System. Port and SFPUC staff will seek approval of the Pier 70 SFPUC-Port MOU by the Port Commission and the SFPUC in March 2012.

Consistent with the requirements of the Shore Power Ordinance, the Port Director finds that it is economically and technically infeasible to complete the project using a current certified City contractor. However, Port staff will work with BAE and its contractor Eaton Corporation to seek status for Eaton Corporation as being eligible to do business with the City.

If the Port Commission approves this item, Port staff will finalize Lease amendment terms consistent with the Pier 70 Shoreside Power System and other terms described in this report and execute a Sixth Amendment to the Lease.

Prepared by: Kathleen Diohep, Pier 70 Project Manager  
Gerry Roybal, Maritime Marketing  
Brad Benson, Special Projects Manager

For: Peter Dailey, Deputy Director, Maritime



**PORT COMMISSION  
CITY & COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-19**

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and
- WHEREAS, BAE San Francisco Ship Repair Inc. (BAE SFSR), a California corporation, currently leases approximately 15 acres of land and 17.4 acres of water at Pier 68 and SWL 349 where it, through predecessor companies, has conducted ship repair operations since 1987 pursuant to Port Lease L-11320 which has been amended five different times (as amended, the "Lease"), and currently employs about 250 skilled laborers year-round representing ten different trade unions; and
- WHEREAS, BAE SFSR approached the Port with a proposal to upgrade the electrical facilities to install shoreside power capability at the shipyard that is part of the Pier 70 Master Plan Area to enable cruise ships, cargo and maritime vessels to be powered by the City's power grid, rather than diesel engines, while being repaired at the Port's drydock; and
- WHEREAS, In connection with the 34<sup>th</sup> America's Cup and construction of the Port's James R. Herman Cruise Terminal at Pier 27 ("AC34/Cruise Terminal Project"), the existing shoreside power system at Pier 27 that serves certain cruise ships that call in San Francisco, will be decommissioned for an interim period. The interim shutdown of the existing shoreside power system has been found to have a significant impact on air quality. To reduce such a significant impact, a mitigation measure in the Final Environmental Impact Report for the AC34/Cruise Terminal Project requires the installation and operation of a shoreside power system at the BAE SFSR shipyard (the "Pier 70 Shoreside Power System"); and
- WHEREAS, Installation and operation of the Pier 70 Shoreside Power System in 2012 will offset emissions arising from the decommissioning of the Pier 27 shoreside power system for an interim period to accommodate the AC34/Cruise Terminal Project; and
- WHEREAS, Mayor Ed Lee and Supervisor Malia Cohen have introduced an ordinance authorizing the Port Director to execute an agreement with BAE SFSR to install shoreside power equipment at Drydock #2 for an amount not to exceed \$5.7 million and exempting the agreement from the contracting requirements of the San Francisco Administrative Code and the San Francisco Environment Code (File #120124); and





- WHEREAS, Mayor Ed Lee and Supervisor Malia Cohen have introduced a supplemental appropriation ordinance de-appropriating \$5,700,000 of the Port's Series 2010 Revenue Bond proceeds from the Port's planned Backlands project and re-appropriating these proceeds to the Pier 70 Shoreside Power Project in the Port Commission for FY2011-2012 (File #120123) as a short term funding strategy for the project and Port staff is working with the Controller to implement a long-term funding strategy subject to Port Commission approval; and
- WHEREAS, BAE SFSR is public utility customer of the San Francisco Public Utilities Commission (SFPUC) and the SFPUC can provide a rebate for projects that increase electrical use through new demand; and
- WHEREAS, The Lease requires BAE SFSR to return to the Port a portion of the premises by December 16, 2012 to accommodate the development of the Pier 70 Opportunity Area included in the Waterfront Land Use Plan (the "Reversion Area"); if BAE SFSR fails to return the Reversion Area by December 16, 2012, then BAE SFSR would be charged fair market rent for such area until returned to Port; and
- WHEREAS, A portion of the Reversion Area has been improved by BAE SFSR and is an integral part of the shipyard's parking area; and
- WHEREAS, As required by the 2007 amendment to the Lease, BAE SFSR has worked with the Port to identify a master plan for operating its facilities without the Reversion area and a relocation plan for return of that area; and
- WHEREAS, The Port does not currently need the Reversion Area to accommodate new development at this time and benefits from BAE SFSR retaining that area by keeping it secure and the premises in a timely manner to accommodate the rehabilitation of the 20<sup>th</sup> Street historic buildings adjacent to the lease premises and creation of a new park; and
- WHEREAS, BAE SFSR currently leases 10,000 square feet (.23 acre) on a month-to-month license and would like to incorporate this area into the Lease as a Reversion Area; and
- WHEREAS, The lease is silent on the dredging responsibility for the San Francisco Central Basin ("Central Basin") adjacent to the premises and BAE SFSR and the Port are working to have the Central Basin designated as a federal navigation corridor which would assign responsibility for all future maintenance dredging for such area to the U.S. Army Corps of Engineers; however, it is possible that additional dredging in the Central Basin will be needed to accommodate certain ships at the drydock if





such area is not designated as a federal navigation corridor, or if so designated, prior to such designation; and

WHEREAS, Following a successful experience of cost sharing of dredging the Central Basin in the 2011, BAE SFSR has agreed to pay half the costs of such future dredging of the Central Basin if determined by the Port and BAE SFSR that such dredging is required; and

WHEREAS, Port staff, SFPUC staff and BAE SFSR have negotiated terms specified in the Letter of Intent dated February 6, 2012 and further described in the staff report, that include an equipment charge based on usages of the new Shoreside Power facility to recoup Port investment in that system, provides for the Port to fund the costs of the electrical upgrade, and requires specific improvements to install the shore side power facility; and

WHEREAS, The Port and BAE SFSR have agreed in concept to realignment of premise boundaries that will both allow the operation of the shipyard and allow access to neighboring historic resources for rehabilitation or other implementation actions for the Pier 70 Master Plan; and

WHEREAS, Port staff recommends that the Port Commission approve the proposed business terms for a Sixth Amendment to the Lease; and authorize the Executive Director, or her designee, to negotiate and enter into a Sixth Amendment to the Lease on the terms and conditions outlined in the Staff Memorandum accompanying this Resolution; and

WHEREAS, Port and SFPUC staff will seek approval from the Port Commission and the SFPUC for a Memorandum of Understanding that will describe the roles and responsibilities of each agency for the Pier 70 Shoreside Power System, including payment of a \$1.5 million Project Rebate if approximately 65 million kWhs is used by the Pier 70 Shoreside Power System; and

WHEREAS, On December 15, 2011, the San Francisco Planning commission certified the Final Environmental Impact Report for the 34<sup>th</sup> America's Cup and the James R. Herman Cruise Terminal and Northeast Wharf Plaza which included proposed Pier 70 Shoreside Power System as a mitigation measure under the California Environmental Quality Act; and

WHEREAS, Based on staff's recommendation and its own review, the Port Commission finds that the terms set forth in the accompanying staff report for a proposed Sixth Amendment to Lease L-11320 is in the best interest of the Port; now, therefore, be it



- RESOLVED, That the San Francisco Port Commission hereby authorizes the Executive Director or her designee, in consultation with the City Attorney, to negotiate and enter into a Sixth Amendment to Lease L-11320 with BAE Systems San Francisco Ship Repair, Inc. to implement the Pier 70 Shoreside Power System on terms described in the Staff Memorandum accompanying this Resolution and the February 6, 2012 Letter of Intent between the Port, the SFPUC and BAE SFSR and in a form approved by the City Attorney, and
- RESOLVED, That the San Francisco Port Commission hereby authorizes the Executive Director or her designee, in consultation with the City Attorney, to amend Lease L-11320 with BAE Systems San Francisco Ship Repair, Inc. to realign the premises and include other lease terms consistent with the Staff Memorandum accompanying this Resolution, or as necessary to implement the Pier 70 Master Plan, as long as there is no reduction in rental income to Port, and in a form approved by the City Attorney; and
- RESOLVED, That the San Francisco Port Commission hereby directs Staff to collaborate with BAE SFSR to seek federal channel designation for the Central Basin and authorizes the Executive Director or her designee, in consultation with the City Attorney, to negotiate a Sixth Amendment to Lease L-11320 with BAE Systems San Francisco Ship Repair, Inc. that includes provisions for cost sharing for dredging costs of the Central Basin if dredging of the Central Basin is required prior to such federal designation, or if such designation is not obtained; and

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 28, 2012.***

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Secretary








## MEMORANDUM

February 23, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer   
Executive Director

**SUBJECT:** Informational Presentation Regarding a Prospective Sole Source Retail Lease between the Port of San Francisco and Teatro Zinzanni for Premise at SWL 324, Located at the northwest corner of The Embarcadero and Broadway.

**DIRECTOR'S RECOMMENDATION: INFORMATION ONLY NO ACTION REQUIRED**

### **I. Background**

Teatro Zinzanni was formerly located at Pier 29 along The Embarcadero at Battery Street. Teatro Zinzanni is a Cirque du Soleil inspired show in the European tradition of French bistro-style cabarets. Performances are held in a one-of-a-kind, antique 1920's Spiegel tent, during a five-course gourmet dinner.

Teatro Zinzanni was a production created by One Reel, a Pacific Northwest non-profit arts and events producer in Seattle, before bringing it to San Francisco in 1999. This interactive-theater-with-forks-and-knives experience has entertained an estimated 800,000 tourists and Bay Area residents since it opened in San Francisco in 2000, and employs 88 full-time and 30 part-time workers.

The initial lease commenced in October 1999, with a term of 15 months. Teatro Zinzanni's use was originally treated as a temporary special event not as a retail or restaurant lease. The lease was subsequently amended three times and has been on hold-over month-to-month status since November 1, 2005 because of the anticipated development of the area. On October 17, 2011, One Reel assigned the leasehold to Teatro Zinzanni, a California State non-profit corporation, the recently formed 501c-3 not-for-profit arts organization. The former Pier 29 premises consisted of approximately

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30,000 square feet of paved land formerly used as a parking lot and approximately 2,500 square feet of interior Pier 29 shed space.

In the final year of operation, Teatro Zinzanni paid the Port monthly rent in the amount of \$21,000 or \$252,000 annualized. The use also increased parking revenues in the Port controlled adjacent parking lots resulting in approximately \$200,000 annually in parking revenue. Additionally, the Port experienced an increased patronage at surrounding Port restaurants such as Pier 23 Café, Fog City Diner, and Butterfly Restaurant during pre and post performances.

## **II. Relocation Plan**

Construction of the James R. Herman Cruise Terminal project located at Piers 27 and 29 has made it necessary for the Port to plan for the relocation of tenants that leased space within the greater footprint of both piers including that of Teatro Zinzanni. The Port developed a Tenant Relocation Plan (the Plan) for these piers which was published on November 14, 2011 and approved by the Port Commission on December 16, 2011 by Resolutions 11-81 and 11-82. The Port has continued to maintain close communications with Teatro Zinzanni by providing on-going written information and arranging personal meetings to inform them on the status of the proposed project.

In December 2011, the Port and Teatro Zinzanni mutually identified SWL 324, as a potential relocation site. The site is located at the northwest corner of The Embarcadero and Broadway and is currently being operated as four-hundred (400) surface parking lot managed by Priority Parking. The lot generates \$1.4 million in annual average revenue to the Port. On December 1, 2011 the Port and Teatro Zinzanni executed a Mutual Agreement for Lease Termination and Reservation of Rights agreeing to relocate pursuant to the plan. The termination date was effective on January 17, 2012. As a material part of the consideration for this agreement, the Port and Teatro Zinzanni agreed to negotiate in good faith and seek to complete the necessary documents for a term lease on Port property at the proposed new site.

## **III. Leasing Policy**

Under the Port's Retail Leasing Policy (adopted in 1993 by the Port Commission by Resolution No. 93-52 and Amended by Resolution No. 11-15 in March 2011), it is the policy of the Port Commission to competitively bid retail leasing opportunities. Retail businesses at the Port are defined to include such operations as restaurants, galleries, ship chandleries, souvenir shops, and excursion operations. The Retail Leasing Policy reaffirms the Port's commitment to foster and encourage full and equitable opportunities for leasing retail sites on the waterfront through community outreach and a competitive Request For Proposal (RFP) process.

The Retail Leasing Policy does however, also allow for direct sole source negotiations of leases if a bid would be impractical or impossible and the benefits of direct negotiations exceed the benefits of a public offering. Teatro Zinzanni has requested to enter into a sole source negotiation for SWL 324. Under the Retail Leasing Policy, Port staff must first determine whether Teatro Zinzanni is a tenant in good standing, evaluate





whether it is the most suitable economic tenant, and receive and review a business plan and historic audited financial statements and/or tax returns. Port staff would then seek Port Commission's approval to begin lease negotiations on a sole source basis with Teatro Zinzanni. Port staff will request that the Port Commission waive its "pre-authorization" regarding sole source negotiations and will bring the lease before the Port Commission for approval subject to Board of Supervisors approval (if required).

#### **IV. Project Description**

The proposed relocation site is located at the intersection of Broadway and The Embarcadero, bound by Davis Street to the West and Vallejo Street right of way to the North. The site is zoned as C-2, Community Business and falls within the Northeast Waterfront Historic District. (See attached map)

The project consists of a group of inter-connected temporary structures to include the historic Spiegel tent, a pre-engineered metal structure, and a number of modular structures with applied facades, erected on a raised plinth over the existing concrete/asphalt paving of the surface of the parking lot. These structures would contain the lobby area, kitchen and food preparation, dressing rooms, and other support functions.

The group of structures is proposed to be one-story with the circular dome of the historic Spiegel tent being visually featured where feasible. The exterior of the support and back-of-house structures would be clad largely in corrugated metal, and a new prefabricated structure with glass front would face The Embarcadero and be used as the pre-show event space. The primary entrance and vehicle drop-off would be on Broadway Street.

Teatro Zinzanni's proposed relocation to the site is contemplated in the 34<sup>th</sup> America's Cup and James R. Herman Cruise Terminal and Northeast Wharf Plaza Final Environmental Impact Report (FEIR) as required by the California Environmental Quality Act certified by the Port Commission on December 16, 2011 and by the Board of Supervisors on January 24, 2012. The FEIR requires that Teatro Zinzanni apply for and receive a Certificate of Appropriateness from the San Francisco Planning Department, Historic Preservation Commission. The project must meet the design criteria found in the Preservation of Historical Architectural and Aesthetic Landmarks San Francisco Building Code App. D, Section 3, page 1403.

#### **V. Lease Terms**

The proposed lease would contain certain business terms and conditions that are standardized in Port Retail/Restaurants leases. The term will not exceed 10 years and Teatro Zinzanni would be required to sign a Port Commission approved boilerplate lease with no substantial changes. The premise would consist of approximately twenty-five thousand (25,000) square feet or about 88 parking stalls that the Port currently receives about \$35,000 per month as base rent from the lot operator. Percentage rent paid to the Port is seasonal but the 88 parking stalls account for about \$20,000 in revenue annually above the base rent. It would be necessary for Teatro Zinzanni to





provide the Port requisite insurance coverage in the types and amounts required by the City's Risk Manager. Teatro Zinzanni would also provide all standard construction performance bonds and guarantees.

The lease would contain participation percentage rent so that the monthly rent would be an amount equal to either the greater of the minimum rent or the percentage rent. The initial minimum rent would be consistent with the revenues that the Port is currently receiving from the parking lot operator. The lease would provide for other Port standard policies such as the Rules and Regulations for Restaurants, which include best management practices and as well as a Good Neighbor Policy. The lease would not include rights to any parking outside its lease premise.

## **VI. Next Steps**

Seawall Lot 324 is located within the Northeast Waterfront Historic District, which was approved by the San Francisco Planning Commission and designated in Article 10 of the Planning Code. The proposed design for Teatro Zinzanni will undergo review by the Waterfront Design Advisory Committee and the Historic Preservation Commission (the "HPC") starting in March 2012. In compliance with a mitigation measure included in the Final Environmental Impact Report (the "FEIR"), the HPC will review and must find that the project design complies with Article 10, Appendix D of the Planning Code and the Secretary of the Interior Standards for Historic Preservation. This includes addressing the architectural and visual characteristics that define the historic district, including façade line continuity, fenestration and design elements for new construction, and appropriate roof treatments. The design process is expected to occur through the spring. The FEIR mitigation measure requirements must be satisfied prior to Port Commission action to approve the lease.

Subject to execution of the above approvals, Port staff plans to return to the Port Commission, anticipated in the fall of 2012, seeking a sole source retail lease between the Port and Teatro Zinzanni subject to the approval of the Board of Supervisors (if required).

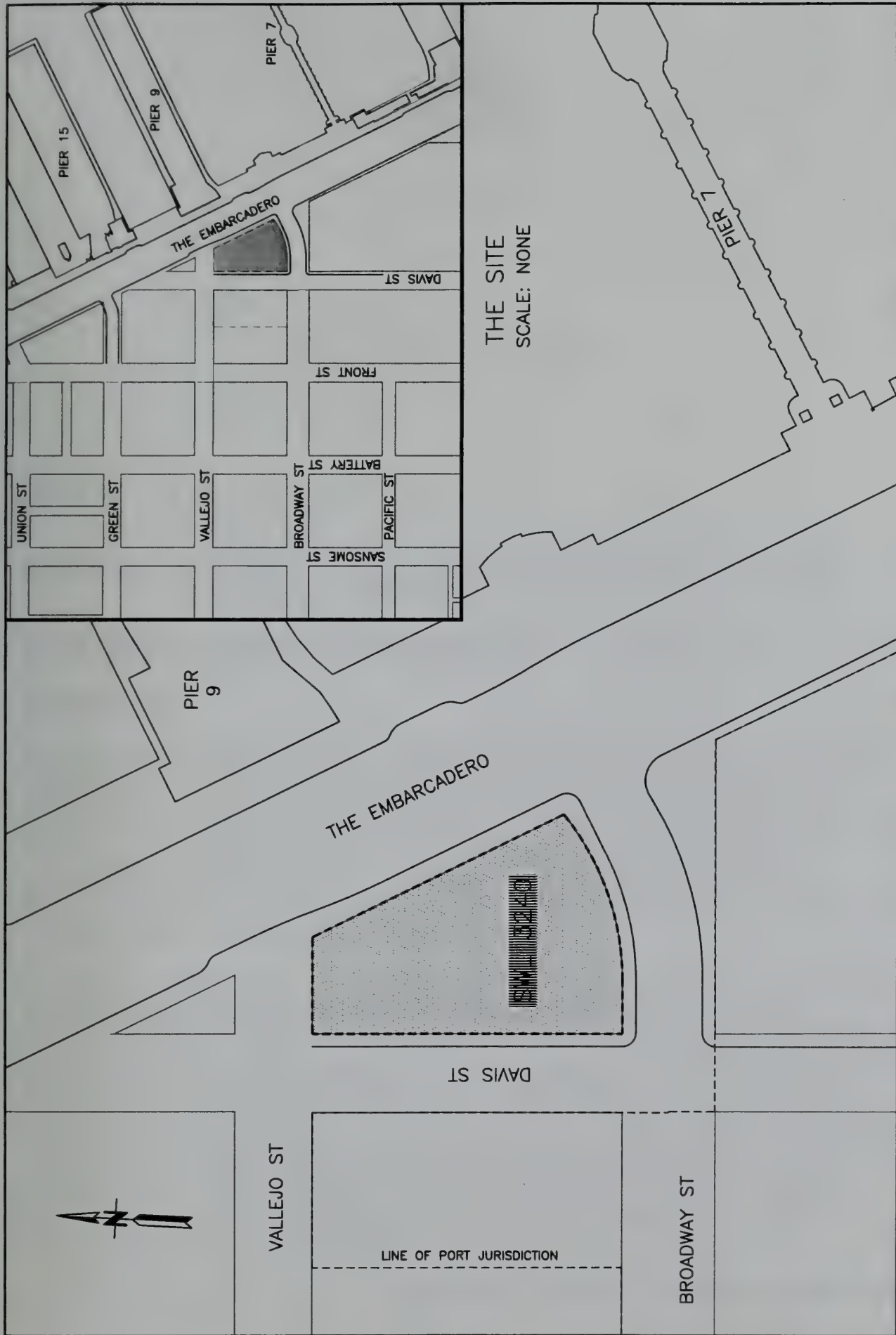
Prepared by: Jeffrey A. Bauer, Senior Leasing Manager  
Real Estate

For: Bryon Rhett, Deputy Director  
Planning and Development

Susan Reynolds, Deputy Director  
Real Estate

Attachment: Map





APPROVED BY SAN FRANCISCO PORT COMMISSION DATE	CHIEF HARBOR ENGINEER	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	SWL 324	DRAWN BY: EDC CHECKED BY: J. BAUER DRAWING NO.	DATE: FEB 14, 2012 SCALE: NONE SHEET NO. OF SHEETS
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## MEMORANDUM

February 23, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer *M Moyer*  
Executive Director

**SUBJECT:** Request approval of direct negotiation with Golden Bear Restaurant Company III, LLC (Golden Bear) under the Port's Retail Leasing Policy

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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### I. Background

As the result of a competitive bid process in 1996, Kelly's Mission Rock, LLC (Kelly's) constructed and operated a restaurant of the same name. Kelly's is located at Pier 64½ more commonly known as 817 Terry Francois Boulevard (see Attachment A). Kelly's restaurant consisted of approximately 3,500 sq. ft. of building, 2,500 sq. ft. of deck, and 4,000 sq. ft. of paved land adjacent to the building. The lease for this restaurant provided for an initial term of fifteen (15) years with two five (5) year options commencing on April 1, 1998 (Lease No. L-12474 or the "Kelly's Lease"). The initial expiration date of the Kelly's Lease is March 31, 2013.

In April 2010, James Kelly, the managing partner of Kelly's died. Shortly afterward, the business began to suffer and became arrears in rent, resulting in the Port's issuance of a three day notice to pay or quit. The trustee of Mr. Kelly's estate then filed for Chapter 11 bankruptcy protection for Kelly's. Once the previous tenant declared bankruptcy, the bankruptcy court took full and exclusive control of the resolution of the tenancy under the lease. The Port filed a proof of claim for \$124,000 which included funds owed to other City agencies (utilities and taxes) and covered the insurance default, plus \$28,572 which represented the security deposit. Lease claims are neither secured nor priority claims, however if the lease is assumed, which in this case it was, then the Port is entitled to be paid in full. The bankruptcy was handled by outside counsel Mike McQuaid of Carr, McClellan, Ingersoll, Thompson & Horn.

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After a failed attempt by a related party to assume the Kelly's Lease, the bankruptcy court ordered that the Kelly's assets be sold at public auction. On November 21, 2011, Kelly's noticed the sale of its assets including the lease and that sale was set for December 19, 2011. It was noticed with the opportunity to present overbids and Mr. Osborne submitted the highest quantified bid on December 19, 2011. The court approved the sale subject to the close of sale (pending the liquor license approval). On December 23, 2011 as the result of the public bid process, the bankruptcy court ordered Kelly's to sell all of its assets, including the Kelly's Lease, to Mr. Peter Osborne. Mr. Osborne is a successful San Francisco restaurateur and the owner of MoMo's Restaurant, Pete's Tavern and Pedro's Cantina. Pursuant to bankruptcy court practices, the Port consented to the sale as Mr. Osborne was the only bidder to submit all required documents for the Port's due diligence and is a proven local business operator. The Port's due diligence consisted of a review of Mr. Osborne's application, proforma financial statements, tax returns and a credit report. Mr. Osborne also submitted a business plan with the scope of his improvements.

Mr. Osborne took possession of Kelly's pursuant to the court order on January 3, 2012. Mr. Osborne paid \$50,000 at the time the order was issued with another \$325,000 to be paid upon closing. Port staff has been advised that Mr. Osborne has formed a new corporate entity, Golden Bear Restaurant Company III LLC ("Golden Bear") and is proceeding with closing of the sale pending the issuance of a permit from the state Alcohol and Beverage Control Board. The sale is expected to close in March 2012.

Currently the outstanding amount owed by Kelly's on the existing lease totals \$94,486.76. Upon closing of the sale to Mr. Osborne, the Port will be paid its back rent from the sale proceeds. The remaining proceeds will go to the debtor's other creditors with bankruptcy court approval. Should the sale fail to close, the Kelly's Lease would return to control of the bankruptcy court and the Port would again have to pursue its outstanding claims against the former tenant.

## **II. Terms of the Existing Lease**

The existing Lease No. L-12474, now assumed by Golden Bear II, LLC, contains the following terms:

<u>Tenant:</u>	Golden Bear II, LLC (purchased from bankruptcy estate of Kelly's Mission Rock, LLC)
<u>Premises:</u>	approximately 3500 square feet of space in the building located at Pier 64½ more commonly referred to as 817 Terry Francois Blvd; approximately 2500 square feet of deck areas adjacent thereto; and approximately 4000 square feet of paved land adjacent to the building as shown on Attachment B hereto





Term: Fifteen (15) years through March 31, 2013 plus two 5-year options for a final term of March 31, 2023. Tenant has unilateral right to execute the options provided the Tenant is not in default.

Use: Operation of a public restaurant and banquet facility, catering sales and other uses directly related or necessary thereto including but not limited to full service dining, casual dining, take-out and take-away dining, off-sale of alcoholic and other beverages and food items, service of alcoholic beverages, dancing and live entertainment, and not more than 400 square feet of space for the sale of souvenir items, in-house signature items and convenience merchandise for users of the adjacent marina and park.

Monthly Base Rent: \$13,934.17

Security Deposit: will be equal to two months of the base rent once that amount has been determined and will be collected as a part of the lease execution.

Mr. Osborne purchased the Kelly's Lease out of bankruptcy at public auction with the intention of turning the failed restaurant into an iconic destination for dining on the Port's southern waterfront. Mr. Osborne has determined that the restaurant will require a significant investment of cash (estimated to be approximately \$1 million) if he is to succeed in his goal. Meanwhile, Port staff has determined that there are a number of conditions in the Kelly's Lease that should be updated so that it will meet the Port's current policies, laws and ordinances. Additionally, the condition of the facility requires a large financial investment including the adjacent park that Mr. Osborne has agreed to improve. Therefore, both Golden Bear and the Port are interested in entering into a new lease that addresses these issues

## **II. Retail Leasing Policy**

The Port's Retail Leasing Policy allows for direct sole source negotiations of leases if a bid would be impractical or infeasible and the benefits of direct negotiations exceed the benefits of a public offering. Under the Retail Leasing Policy, Port staff would first determine whether (1) the existing tenant is in good standing, (2) evaluate whether it is the most suitable economic tenant, and (3) receive and review a business plan and historic audited financial statements and/or tax returns.

Pursuant to the Retail Leasing Policy, Port staff would then seek the Port Commission's approval to begin lease negotiations on a sole source basis. If sole source negotiations are approved, the proposed lease would be executed under the Port's current standard form lease for retail businesses and would contain all of the terms, conditions and requirements listed in the Retail Leasing Policy. If the Port successfully negotiates a lease under the Retail Leasing Policy, it would be subject to Port Commission approval and likely Board of Supervisors approval.





In making this recommendation to the Port Commission for a sole source waiver for Golden Bear, Port staff has determined that Golden Bear is a tenant-in-good standing (although Golden Bear has only been paying rent on the Kelly's Lease since January 2012). Should the Port Commission approve this sole source waiver, Port staff will review Golden Bear's business plan and historic audited financial statements and/or tax returns. Additionally, Port staff will be working with one of the Port's real estate advisors to evaluate whether Golden Bear is the most suitable economic tenant. Should all of the above prove positive, Port staff will then negotiate appropriate terms and conditions with Golden Bear and recommend the new lease to the Port Commission, and the Board of Supervisors, for approval. Port staff anticipates that it will come back to the Port Commission for approval of the lease in April 2012.

### **III. ANALYSIS**

Mr. Osborne is purchasing the Kelly's Lease out of bankruptcy at a cost of \$375,000. Mr. Osborne is a tenant-in-good standing and the sale by the bankruptcy court of the Kelly's Lease extinguished all defaults thereunder.

Mr. Osborne proposes to invest approximately \$1 million dollars to make improvements to the leasehold. There are approximately thirteen months with two five (5) year options of term remaining on the Kelly's Lease, for a total of 11 years and 3 months. Mr. Osborne does not believe this is sufficient time to amortize such a sizeable investment. Therefore, Mr. Osborne has requested an extension of term beyond March 31, 2023.

In preliminary conversations with Port staff, Mr. Osborne has proposed the following terms for a new lease for a restaurant equivalent in size to Kelly's:

- a 180 day rent-free period during construction with no other rent credits;
- a 10 year lease term with two five-year options to be exercised by tenant for a final term of 2032;
- base rent at the current rate with a 2% annual adjustment and market reset for option periods; and
- percentage rent payable to the Port of 7% of gross revenues.

Mr. Osborne has reviewed the Port's standard lease terms for retail tenants and has agreed to all of the terms and conditions of Port's standard restaurant lease. Port staff will consider these minimum starting points for negotiations. As stated above, Port staff will be assisted by one of the Port's real estate advisory consultants.

With respect to the bidding requirements of the Port's Retail Leasing Policy, Port staff has reviewed Mr. Osborne's proposal and has determined that it is impractical and infeasible to bid this opportunity out for the following reasons:

1. Mr. Osborne has already invested \$50,000 to secure the Kelly's Lease at a public auction open to other bidders.



2. Before negotiations are initiated for a new lease, Mr. Osborne will pay to the bankruptcy court an additional \$325,000 as the final purchase price for the Kelly's Lease.
3. Mr. Osborne has provided the Port with a sound business plan which commits him to a capital investment of approximately \$1million for improvement to the Kelly's leasehold.
4. Mr. Osborne has control over the Kelly's Lease based on the bankruptcy award for the remaining term and option periods.
5. Mr. Osborne has a proven track record of performance with three other successful restaurants and is able to bring investors to projects to ensure performance.
6. An RFP for this location would take approximately six months with another 8-12 months in start-up time. Mr. Osborne is currently paying rent and anticipates a July, 2012 opening that will bring steady revenue to the Port.
7. Mr. Osborne has committed to improving the surrounding park area which normally would not be a part of an RFP and is not currently a part of the Kelly's Lease.
8. Mr. Osborne's estimated total start-up investment is \$2.5 million, which Port staff does not believe another bidder could easily match.

Mr. Osborne is in a unique position to enter into sole source negotiations with the Port for a new lease with an extended term which will allow him to amortize his substantial investment. Port staff's assessment is that timing and certainty of the motivated tenant will yield a favorable financial result to the Port and that the benefit of direct negotiation now outweighs the unknown benefits of a potential future RFP.

Should the Port Commission determine that it does not wish to offer a sole source waiver to Mr. Osborne, then Mr. Osborne must operate under the existing lease.

#### **IV. Staff Recommendation**

Port Staff recommends that the Port Commission adopt the attached resolution authorizing Port Staff to enter direct negotiations with Golden Bear for a sole source lease for the former Kelly's Mission Rock Restaurant located at 817 Terry Francois Boulevard as described above because it is otherwise impractical and infeasible to bid this opportunity.

Prepared by: Elliott Riley  
Senior Property Manager

For: Susan Reynolds  
Deputy Director of Real Estate

#### **Attachments**

A: Map of Kelly's Mission Rock location

B: Schematic of Kelly's Mission Rock premises





**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-20**

WHEREAS, Charter Section B3.581 grants to the Port Commission the authority and duty to use, conduct, operate, maintain, regulate and control the lands within the Port jurisdiction; and

WHEREAS, pursuant to Port Commission Resolution No. 93-52 Amended by Resolution No. 11-15, it is the policy of the Port Commission to competitively bid retail leasing opportunities; and

WHEREAS, the Port Commission provides for an exception to bidding retail leasing opportunities under the Retail Leasing Policy when a bid would be impractical or impossible and the benefits of direct negotiation outweigh the benefits of competitive bidding; and

WHEREAS, Mr. Peter Osborne bought Kelly's Mission Rock (Kelly's) Lease L-12474 (the Kelly's Lease) out of bankruptcy at public auction open to other bidders and has formed Golden Bear Restaurant Company III, LLC (Golden Bear) to operate and manage the restaurant; and

WHEREAS, Golden Bear has determined, and Port staff agree, that it is necessary to make a substantial investment in the infrastructure of the restaurant to maximize revenue opportunities; and

WHEREAS, Golden Bear and Port staff have determined that there is not sufficient remaining term under the Kelly's Lease to support Golden Bear's anticipated sizeable investment to support a robust business plan; and

WHEREAS, Port staff has reviewed Golden Bear's proposal and determined that a new lease is in the best economic interest of the Port, Golden Bear is the best economic tenant and the benefits of direct negotiation outweigh the benefits of competitive bidding; and

WHEREAS, Port staff will retain one of its real estate advisory consultants to confirm the determinations required by the Port's Retail Leasing Policy and, if confirmed, to assist Port staff in negotiations with Golden Bear; and

WHEREAS, Port staff has determined that certain of the terms contained in the Kelly's Lease are out of date and should be made current; and



WHEREAS, Port staff recommends that, based on these circumstances as more fully described in the Memorandum to the Port Commission dated February 23, 2012, Golden Bear should qualify for a direct sole source negotiation under the Port's Retail Leasing Policy; and now, be it

RESOLVED, that the Port Commission authorizes Port staff to enter into direct negotiations with Golden Bear for a sole source lease for the former Kelly's Mission Rock Restaurant located at 817 Terry Francois Boulevard under the terms and conditions of the Port's Retail Leasing Policy (Resolution No. 11-15) and as further described in the Memorandum to the Port Commission dated February 23, 2012.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 28, 2012.***

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Secretary



16TH ST.



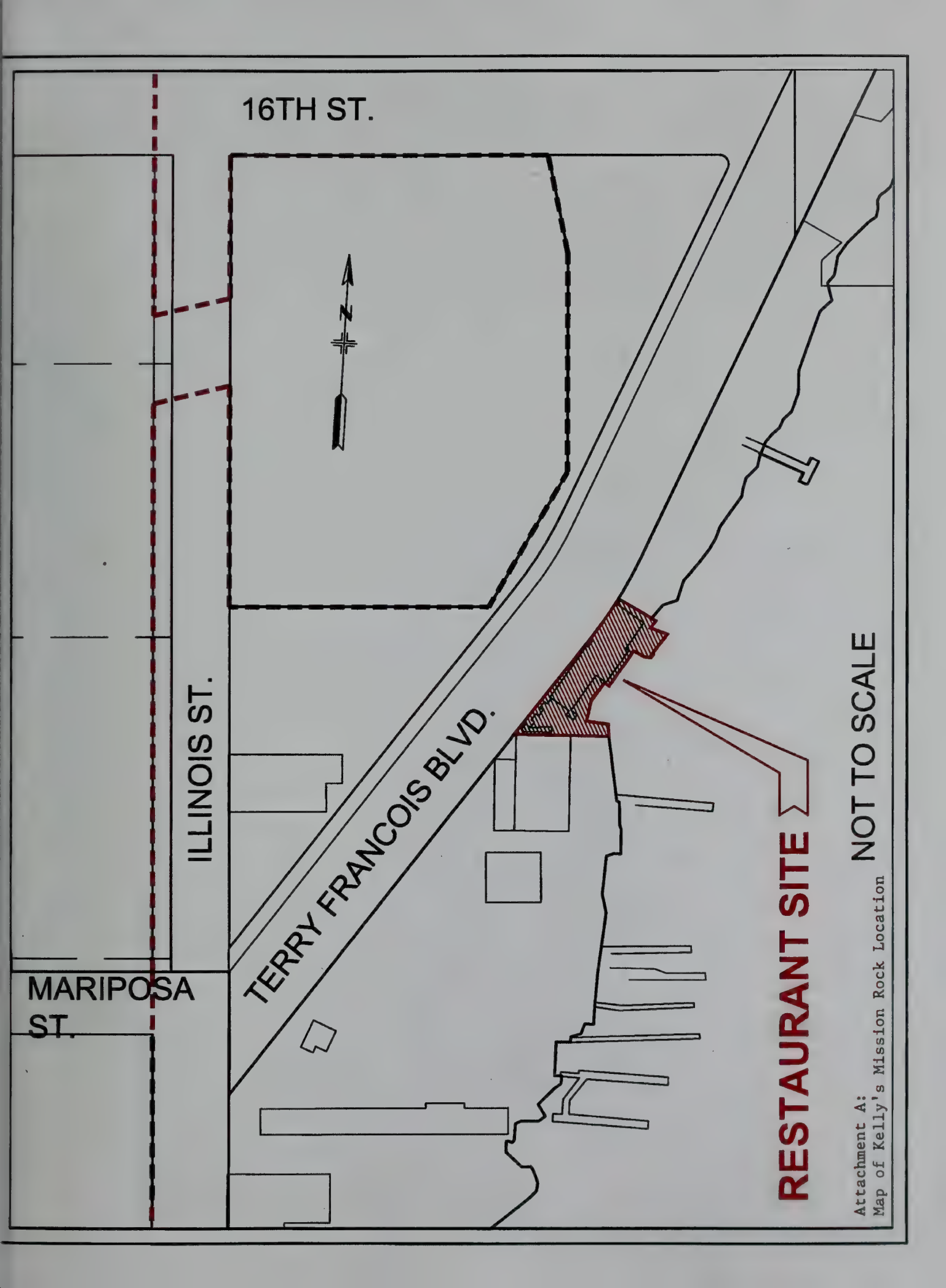
ILLINOIS ST.

TERRY FRANCOIS BLVD.

MARIPOSA ST.

**RESTAURANT SITE**

Attachment A:  
Map of Kelly's Mission Rock Location  
NOT TO SCALE







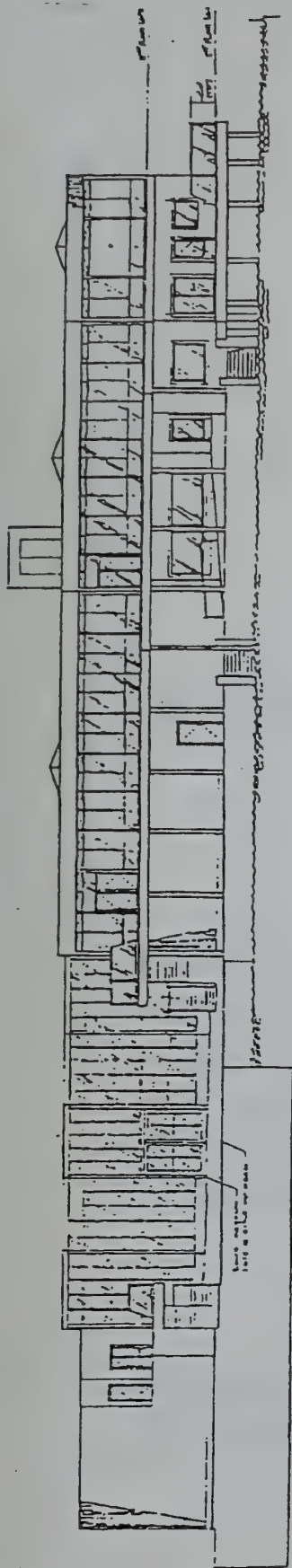






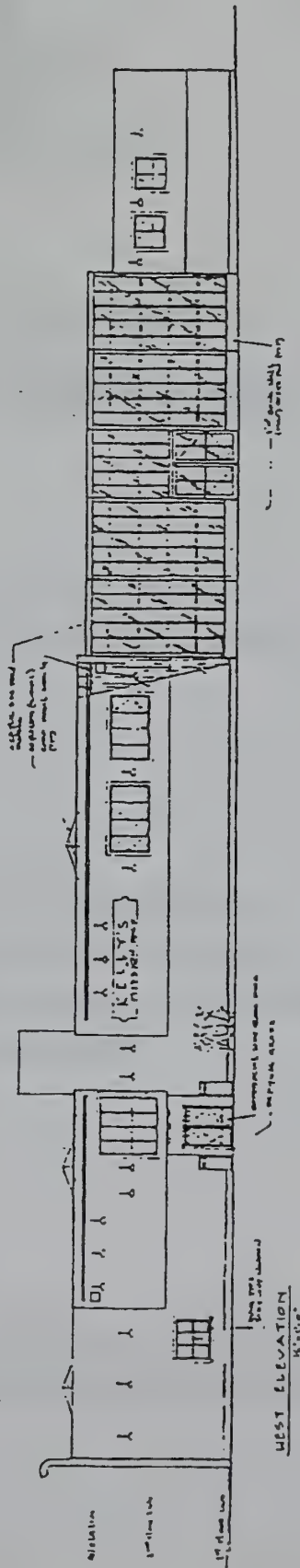






EAST ELEVATION  
1/8" = 1'-0"

Location	Material	Color
Walls (adobe masonry)	concrete	unpainted
Roof (as indicated)	concrete	unpainted
Windows	glass w/ metal frame	clear glass w/ black painted frame
Door	wood	dark



WEST ELEVATION  
1/8" = 1'-0"

Attachment B:  
Schematic of Kelly's Mission Rock Premises





# **SAN FRANCISCO PORT COMMISSION**

**FEBRUARY 28, 2012  
MINUTES OF THE SPECIAL MEETING**

**MEMBERS, PORT COMMISSION  
HON. DOREEN WOO HO, PRESIDENT  
HON. KIMBERLY BRANDON, VICE PRESIDENT  
HON. FRANCIS X. CROWLEY  
HON. LESLIE KATZ  
HON. ANN LAZARUS**

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**MONIQUE MOYER, EXECUTIVE DIRECTOR  
AMY QUESADA, COMMISSION SECRETARY**



# **CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION**

## **MINUTES OF THE MEETING FEBRUARY 28, 2012**

### **1. CALL TO ORDER / ROLL CALL**

Commission President Doreen Woo Ho called the meeting to order at 2:06 p.m. The following Commissioners were present: Doreen Woo Ho, Kimberly Brandon, Francis X. Crowley, Leslie Katz and Ann Lazarus.

### **2. APPROVAL OF MINUTES – February 14, 2012**

ACTION: Commissioner Brandon moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor; the minutes of the February 14, 2012 meeting were adopted.

### **3. PUBLIC COMMENT ON EXECUTIVE SESSION**

### **4. EXECUTIVE SESSION**

A. Vote on whether to hold closed session.

ACTION: Commissioner Lazarus moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

At 2:07 p.m., the Commission withdrew to executive session to discuss the following matter:

#### **(1) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED LITIGATION MATTER (DISCUSSION AND ACTION):**

- a. Discuss anticipated litigation matter pursuant to Section 54956.9(b) of the California Government Code and Section 67.10(d) of the City and County of San Francisco Administrative Code.

  X   As Defendant           As Plaintiff

Anticipated litigation regarding the City and potential plaintiffs, Golden Gate Audobon Society, Telegraph Hill Dwellers, the Sierra Club, Waterfront Watch, and San Francisco Tomorrow regarding the approval of the James R. Herman Cruise Ship Terminal and Northeast Wharf Plaza Project.





## 5. RECONVENE IN OPEN SESSION

At 3:20 p.m., the Port Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Brandon made a motion to adjourn executive session and reconvene in open session; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon made a motion not to disclose any information discussed in executive session. Commissioner Crowley seconded the motion. All of the Commissioners were in favor.

## 6. ANNOUNCEMENTS: The Port Commission Secretary announced the following:

### A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting:

Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

### B. Announcement of Time Allotment for Public Comments

Please be advised a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

## 7. EXECUTIVE

### A. Executive Director's Report: Executive Director Monique Moyer reported the following:

- Sunday Streets presents its 2012 debut - March 11, 2012 along the Embarcadero, from Terry Francois St. (at Illinois St.) to Fisherman's Wharf

City's Sunday Streets program is going to be starting off again. It is going to commence first at the Port of San Francisco's property from Fisherman's Wharf in the north, down to past the ballpark in the south, along Terry Francois Boulevard to where it meets with Illinois Street, at The Ramp Restaurant and Pier 66. It's always a great event for the city, and for the Port in particular, and we're looking forward to that.

Since 2008, Sunday Streets has grown from two events to 10 events, and creates miles of car-free space on city roads. San Francisco was the third city in the nation to enact a free, community-oriented initiative. Since then, it has



apparently became the nation's largest. It was one of eight programs in the country to be selected for inclusion in First Lady Michelle Obama's Let's Move! Anti-Obesity Campaign.

Sunday Streets brings thousands of people out over the course of the year, and brings them to places maybe they don't usually go, such as the waterfront of the Port of San Francisco. We're happy to participate in the program and always happy to lead it off.

- Commendation for Robert Bryan, Port Legal Counsel

Monique Moyer - For most of the time that I've been at the Port, we have been blessed to have Robert Bryan as our general counsel. Robert is an employee of City Attorney Dennis Herrera, and has done a yeoman's job representing the Port as city counsel. We're one of the few departments that are lucky enough to have our counsel housed in our offices with us. Given the complexity of the Port's business, it is quite a blessing, not just on us, but on the attorneys who would otherwise be on Muni, constantly back and forth from the city attorney's office to the Port.

Robert is being transferred to move on to bigger and better things. He has been asked to be counsel to the newly formed Oversight Board of the city, which is the board that is responsible for citing what to do with the assets of the Redevelopment Agency and adhering to their contracts. It is a newly formed position for a newly formed commission with a newly formed mandate. I'm assuming it is nowhere near as exciting as the Port's business, but nonetheless it is going to be a great challenge for him.

We have benefited tremendously under Robert's leadership. When he arrived, in the first couple years he spearheaded a whole new rewrite or a relook at all of our boilerplate contracts, MOUs, and leases and licenses to bring them up to the best possible standards. He has helped us through numerous complex issues and litigation, as well as spearheaded a couple of projects on his own, most notably as it related to some legacy issues of PG&E at the Potrero Power Plant Site. There were some lingering issues that Robert took the lead on resolving on the Port's behalf.

It is with mixed emotions, I'm excited for Robert to go and have this great new opportunity for the city, an opportunity which likely has an impact on the Port, so it's good to have someone who knows the Port to be available and representing, at least in some fashion, our interests. It's sad to see him leave right in the middle of all that he has started and we hope to conclude.

Robert, thank you for everything that you have done on our behalf, and for your great professionalism and the way that you've raised the bar on our standards of contracts and leases. We'll always be indebted, at least for the term of the leases, to you for that.





Commissioner Woo Ho - On behalf of the commission, we'd like to thank you, Robert. I haven't been associated with you that long, but you've given us very good advice and kept us on track. I want to thank you for your dedication and professionalism for the commission. We have a little plaque to commend and thank you and hopefully you'll put this in your office. The plaque states "The Port of San Francisco, with gratitude and friendship. Robert Bryan, Port of San Francisco, February 2012."

Robert Bryan - Thank you, commissioners. Thank you, Monique. I'm grateful and thankful for the opportunity to have served you for the past six years, and I must say that it's really been a pleasure. You are definitely a very professional and easy-to-get-along-with commission. That's been a very bright spot in my life here.

I'd also like to say to staff, from Monique, and down to everyone else with whom I've worked with, and who in some sense have become family over the past six years, that it's really been a joy to know you. I'm glad that we've had the opportunity to work through some things. We've had our tough spots, but that's what happens with family, because we get in close, and we each try to beat it out but we've done that. I've really enjoyed working with you, and I wish you all the best.

As I think about it, there's never a good time to go, but it's good to be leaving at a time when the Port is as busy as it is. I've never seen the Port as busy as it's been in the past year and a half, and that's really a wonderful thing, given where we are in the economy and generally in the country at this point in time. I'm happy to see that. I have reasons to peek in from time to time, legitimate excuses. Thanks to everybody.

Commissioner Woo Ho - Monique, would you like to just introduce Robert's replacement while she's here?

Monique Moyer - Eileen Malley gets to be the new general counsel at the Port of San Francisco at the busiest time in my history as well. As you can see she's very athletic, so she should be able to keep up with us. Eileen is a deputy city attorney also under the administration of city attorney Dennis Herrera. She has most recently been assigned to the Treasure Island Development Authority. Our former colleague, Miriam Saez, who has operating responsibility for that entity, is very unhappy with me today, as if I personally cherry-picked one of the best people in all of San Francisco. We're happy to have her here today. She has a little bit of experience working with us on some prior projects, and has a breadth of knowledge and experience in the real estate side of the business.

Susan Reynolds, Deputy Director of Real Estate, on behalf of Real Estate, Robert, we are going to miss you, and we want to thank you for all of your help. I know we've had a lot of struggles, but that's how we proceed, and we've made a lot of progress in the last couple of years under your guidance.



You will not be able to shake us, because we are getting some of those redevelopment leases back, so we look forward to a continued relationship.

Brad Benson – Robert, I want to thank you so much for the past couple of years at the Port. I think you've done an amazing job getting us better at contracts. You know, we've always needed that fine attention to detail that you've brought to that effort, and I think the Port is much safer for it. On a personal level, I get to wander into the city attorney's office on a fairly frequent basis, and brainstorm new ideas. I want to thank you for not laughing me out of the office on a regular basis, and instead taking seriously the concepts that we come up with as a team to try and benefit the Port. With respect to the Redevelopment Agency and that new position that you're headed into, I think you're uniquely qualified with the development experience here at the Port, your vast contracts experience. They're very lucky to get you, and we wish you well in helping to shepherd that agency through its new life.

Robert Bryan - Thanks, Brad. My office door will always be open.

## **8. CONSENT**

- A. Request approval of the Port's Biennial Operating Budget for Fiscal Years 2012/13 and 2013/14. (Resolution No. 12-15)
- B. Request approval of the Port's Proposed \$22.4 million Capital Project Budget Funding for Fiscal Years 2012/13 and 2013/14. (Resolution No. 12-16)

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor. Resolution Nos. 12-15 and 12-16 were adopted.

## **9. FINANCE & ADMINISTRATION**

- A. Informational presentation on the Port's proposed 10-Year Capital Plan for Fiscal Years 2013-2022.

Daley Dunham, Special Projects Group - I've had the pleasure of being one of the principal authors of this document for the last seven years. This is the seventh iteration under the direction of the Special Projects manager, Brad Benson. I, too, will miss Robert Bryan. I'd like to share a quick story about the kind of things that we get into with the Army Corps of Engineers and the demolition of Pier 36, which will appear in the capital plan. They changed the federal boilerplate. So firm was the Port's counsel in their belief that it was inadequate that they changed it for the entire country. They were right. It was a long one, but we got there in the end, and they ultimately sided with Robert.

Section 2.3 of the City's Admin Code is what drives the city's generation of the capital plan every year or did until last year, when they amended it to have the city administrator bring it to the Board of Supervisors every other year. This year





staff thought it was a good idea to bring it before the commission because there have been a number of big changes.

Additionally, at the last Capital Planning Committee (CPC) meeting, members of the Board of Supervisors have requested a mid-cycle update. The CPC has requested that Port staff present on Monday, March 5, 2012. We'll be presenting there with the proviso that this has only been heard by the Port Commission and not yet approved, and it's subject to any changes that Commission make before final approval.

This is the second year that we've worked with an integrated process for evaluating projects, the two-year budget, the five-year financial, and the 10-year capital plan. This slide shows you how the funds are programmed out over 10 years. The first two in green constitute the Port's capital plan, and so on. It's been a useful process and we're moving forward with that.

The evaluation criteria that we used to review capital projects is also integrated, whereas before, there were different processes for the capital budget and for the capital plan. They are now the same. We came up with a set of criteria through a collaborative consensus-based process, weighting out of 100 points. The first 35 or so were at containing liability, 35 for the Port's Commission, and then the balance, 30, for financial considerations.

Through that process this year, there was a fair amount of talk. There was some consensus that we'll be reevaluating this next year to rebalance the criteria based on the apparent need to shift toward more revenue-generating projects.

This is something new this year to provide some sense of where the plan has been and where it's going. This is the seventh iteration here. This year, the shortfall, in red, is less now than it's been in about five years. Looking at this graph down here, there seems to be corresponding peaks in both funding and on the need side of things; that's just coincidental. The spike in estimation of need is a result of the Port changing its software modeling that it uses to estimate overall need, shifting over to the program that the city uses. On the funding side, it's a result of Infrastructure Financing District (IFD) legislation.

The next slide is a stacked graph which shows the various funding sources that go into that. What really jumps out here is how big a role that IFD bond proceeds play in the Port's future, and how volatile development projects are. We have good development projects one year. They're not so great a couple years later. They're not looking so great, as we've had some relatively recent experience and the static nature of the Port's own capital funds.

This table has the data that made up the slide you just saw before, and it's a simplistic way of looking at it graphically but that red diagonal line, that's where we want to go. As this table continues to expand year-to-year, we want to add more and more rows to the bottom, new sources of funding to expand, you





know, where we're getting fund, not only grow the funds that we already have. Hopefully next year we'll be listing transferable development rights there.

The changes to this year's plan, we had a consensus at the staff level that the way we had previously been displaying the numbers in the thousands conservatively in this report might give a false sense of specificity with the kind of estimates that we're doing. To present things in millions is more in keeping with all of the America's Cup planning that we've been doing. That was a change that had been long coming. The plan context section of the report itself is new and we're going to maintain that going forward. It adds a lot of value.

This is what happened to our overall estimate for this year. This is largely driven by the 3.5% cost escalation that the Capital Planning Committee comes up with. Three and a half percent is representative of what it's been over the last 10 years. Last year it was 1.5%. It's been as high as 7.5% in the very early years.

This is a breakdown of, regionally, in the Port's six waterfront areas, where our need is and how that's changed over time. What really jumps out here, the Northeast Waterfront and South Beach, how the need there has decreased by a substantial amount. Those are the results of revised estimates, and in particular, seismic estimates, where we gain certainty about the use that's going to be there. For example, for Piers 27 and 29, where the seismic costs had been derived from the potential Shoreinstein development there, now that we know it's going to be a Cruise Terminal, Port engineers were able to look at that and say that it is perfectly suitable from a sizing point of view for that use. That alone resulted in a reduction of \$40 million to the need in that region.

Looking at where our need is, what jumps straight out is the Southern Waterfront, which it's probably not a surprise to anyone that that's where the bulk of our need is and also the Port-wide category of costs, which is home to our dredging costs, which have gone up substantially as a result of cost increases in the industry.

This explodes the funding sources a little bit more. Whereas in the previous charts it lists federal funding, this has some of the individual agencies itself. What's worth noting is the Exploratory and Development project, the \$205 million in funding that that's providing to Port facilities in 2013. Next year that's going to fall off the ledger as it were because that project will be complete. Our funding sources from development will take a big hit, but we'll also take the need off of the books as well because we'll have done that repair. About \$6-\$8 million of that is for maintaining good repair, with the balance being an enhancement to that facility.

Enhancement versus find a state of good repair -- this is the breakdown of the \$956 million in funding that we're programming over the next 10 years, that ratio is 28% to 72%. It's somewhere between a quarter and a third going to enhancing assets, versus three quarters to two-thirds going to maintaining the Port's existing assets. That's in keeping with other enterprise departments.



We've heard from the Capital Planning Committee. The airport and the MTA both reported a similar balance in how they spend their funding. So we feel that we're keeping good company there.

The 31% of the overall need that's funded comes just from the state of good repair. The funded enhancements don't go to our need. That's something that's above and beyond what we need to maintain our facilities.

Potential new sources for the plan next year, transferable development rights - this is my seventh iteration of this plan. I've been doing this for a long time. I did not expect that one day we would say we are going to sell air to make this plan work, yet that's what we're proposing. For historic structures, Piers 19, 23, 26, 28, potentially as much as \$24 million can come out of this, being able to transfer the right to develop vertically.

Lastly, we'll go through the waterfront quickly to show how the funds are distributed. Fisherman's Wharf is characterized by many longtime tenants with long-term leases, and they are responsible for the maintenance of their facilities. I should have prefaced this report by saying that this presentation and these slides match the report, which was finalized on Friday. A couple things have changed since then, so some of the red that you see around here listed from the ACEA may not be accurate.

An important point on this slide is the federal funding on Pier 35. The Army Corps of Engineers is the case study for long-term financial planning, because with a twofold authorization process and a twofold appropriation process, while there are substantial funds available, it would literally take a decade to get access to that money. The plan is very helpful in that respect.

The Ferry Building area has multiple sources at play. The Brannan Street Wharf Project is a good example of how a lot of different sorts of funding come together to complete a project. That's a good success with the Corps of Engineers there.

The China Basin, and the Bayfront Park projects have been completed, but to point out that the 10-year capital plan as a tool is what made it possible for us to get access to general obligation bonds at all. It was a first for the Port, and that happened a few years into the generation of this document.

Lastly, the Southern Waterfront, the Quint Street Lead plays an important role in another of the Port's long-term strategic goals, which is to develop a robust export terminal at Pier 94. The Quint Street Lead has long been both a physical impediment and a sort of organizational impediment to doing that, because while the track is substandard, it's also owned by the railroads. With this \$3 million in funding we have to repair this track, it's brought the railroads to the table and gotten them engaged with us on what they will actually commit to move lots of freight through locomotives. That's also given the project some profile, because that particular project with the Federal Railway Administration was the top





scoring project nationwide. We're hopeful that it will contribute to this longtime strategic report.

Over the years, this plan has guided the Port \$95 million in non-developer investment and has been integral to our review of how we spend our revenue bonds, to getting access to general obligation bonds, the city's bid for the 34<sup>th</sup> America's Cup, and it will continue to evolve as needs demand.

Commissioner Lazarus - I want to compliment the staff on the work. Getting your arms around all of this and presenting it in a really logical, understandable fashion, and slicing and dicing it the way you have makes it very useful. Maybe one of these years, Daley, if you stick with it long enough, you'll come back and the total number will drop somehow but I haven't seen that happen since I've been here and we started the project, which is a little discouraging.

Daley Dunham - We can only hope.

Commissioner Lazarus - I commend all of you for going out and continuing to find new sources, such as selling air rights, to, again, add, as I'm fond of saying, more arrows to the quiver so a job very well done.

B. Informational presentation on proposed Port Policy designating Annual Operating Funds for 10-Year Capital Plan Expenses.

Elaine Forbes, Deputy Director of Finance and Administration - I'm going to talk to you about a proposed policy to designate operating revenue to capital. It ties in very closely to the capital plan, which Daley Dunham just presented to you. Last time I was here we talked about the capital budget and how it's really not enough to support the requirements that we have to maintain our assets. We also discussed the prior five-year financial trend that showed increasing reductions in capital sources. I'm going to talk through a policy that will help us to stabilize and grow sources for our capital.

As we discussed, public/private partnerships and these other sources of funding that Daley just described are going to be the key to addressing our \$2.2 billion problem. That said, the capital budget is a small and important part of the overall picture. Historically, it has been too low to meet our needs and we have been spending our funds on emergency needs and repairs rather than focusing on renewal, and the five-year financial forecast showed a difficult trend.

This shows the overall sources in the capital plan, which Daley just described -- \$956 million of overall sources, of which \$693 is to repair our portfolio. Fourteen percent of that is our biannual capital budget. The average budget between 2002 and 2003 to 2011/12 has been \$8.3 million. As this chart demonstrates, it has gone up and down depending on prior year operating surplus. The five-year financial plan that we produced last year showed a 37% decline over the five-year forecast period in capital resources because of a trend of expenditures essentially outpacing revenue. This chart demonstrates both the historical



spending, and what the five-year last year showed we would be headed toward without some intervention.

The policy objectives are obviously to stabilize and grow resources that we dedicate to capital, to constrain our operating budget, to require advanced decisions that reflect tradeoffs between the operating and capital needs, and to reduce our credit risks. Our rating agencies have continually pointed out our unfunded capital obligations as a credit weakness, although we have stable and strong ratings.

How much is enough? Financial staff and I spent some time talking about what are targets and goal should be, and frankly, we just don't have enough to pay for what we can afford. If we were setting a target that would help us address renewal, every year we would be spending 50% of our operating revenues on the capital budget. We don't see a near-term way to get to that level of investment, but that doesn't stop us from setting a goal and a target, and growing that goal over time.

We landed on the \$20 million that is required for renewal of our substructures alone, and that equates to 25%, essentially, of our operating revenues dedicated to capital. That 25% is a hard goal to meet. We started with a 20% target, a requirement that 20% of our operating revenues be dedicated to either the capital budget or designated to our reserve, which funds capital in the next year and so that would be a requirement. Then we would grow to a 25% goal over a five-year term.

With this policy, this is the change and the trend. You see the prior year's allocations. The yellow line is what our prior year financial forecast showed. This demonstrates the 20% requirement being met. You see sources to capital growing 59% over the period, and you see stable and continued upward trend in the capital sources. We'll be back at the next commission meeting for formal review and adoption.

Commissioner Woo Ho - I have a couple of questions and comments. I know we've been through this a little bit. First of all, I want to say, based on the previous presentation, I guess to go on record to recognize that the \$2 billion number, which there are some definitional things which could lower it a little bit in terms of the seismic requirements, is not something that we should forget, given that there's a lot of discussion in San Francisco about what can develop and the assets that we do have, that there is a real need.

Development assets are different from the capital budget, which is to help maintain and preserve the existing Port structures as they are today. It's not necessarily reflecting all the development assets that we could possibly have, but that there is a true gap. As Commissioner Lazarus said, the number never goes down. We don't want to be numb to the fact that there is a tremendous gap.





The issue that you bring up, Elaine, in terms of trying to address this policy but let's understand a couple things with the policy which I agree, that we want to designate more. That also assumes that at the end of the day, once you get through your operating revenues to your bottom-line surplus, that you are still positive, because if you designate your operating revenues on the top line and your expenditures exceed your revenues, then we still have a problem in terms of the cash is not there. In theory, yes, I think we 100% agree that we should do that.

The second one is that given that the way we budget here is really on a cash basis, and yet we do have audited financial statements which take into a consideration generally accepted, government accounting standards, one of the things that I thought about is I know it's problematic because of the way we value assets in our balance sheet in terms of their historic levels, and they're totally undervalued whether we've ever thought about which in the normal world, you'd look at depreciation, and how your assets are depreciating, and whether your depreciation is a way to pick up some non-cash expense as a way to replenish your capital needs.

I'm not asking that you answer the question because it might be tough to do it right on the cuff. Whether we think about it in terms of the fact that you try to set a goal, and that's a goal and a target, whether we think in terms of approach of understanding what would be the number if we were using accounting. What would be the annual depreciation number and how would that compare to the goal that we're setting in this policy so that we have a sense of how other models work and approach to address this issue going forward in terms of what we need and how we can also think of other funding sources. As I understand it, when we have a development project, anything that comes on the capital budget that addresses that, that's totally separate, and this is just maintenance and preservation of Port assets.

Elaine Forbes - Thank you for the questions. I'd like to defer the second question to when we return on March 13<sup>th</sup>. I would like to talk with my accounting staff and our fiscal officer about how to think about depreciation in terms of this policy and the annual financial statements.

Commissioner Woo Ho - Just the comparison to see if we are within the target. I know it's problematic because of how we value assets on the balance sheet, which, as you know, is an issue for me in terms of the fact that it's totally understated.

Elaine Forbes – Yes, let us do some thinking about this question and come back to you. On the first question, we are assuming operating surplus. We are assuming that we will come to you with a budget that has net revenues that is balanced. This policy will force trade-off decisions. If, for example, labor costs grow beyond what our revenues are growing, this policy will require us to look to budget reductions, to right-size revenues, to expenses. You've seen in our current proposal, we've met this target of 20%, well close it's 19.8 in the budget





year and almost 21% in year two. We proposed to continue to bring budgets that are balanced, essentially, and believe that this target is reasonable. It's a stretch, but it's something we ought to achieve given the gap. Given the extraordinary gap in our resources to fund renewal and to repair and maintain these assets. We feel at this point it's a good goal and something we can achieve.

Commissioner Woo Ho – Right, and obviously expenses are always something that are more controllable, but we've underscored the fact that we're always trying to figure out how to increase operating revenue.

Elaine Forbes - That's right. The Port does have the ability, things like our annual projects and other expenses, to flex, depending on our revenue picture. We have some operating expenses that are more discretionary than others.

Commissioner Woo Ho – Thank you. I know you've worked very hard on this. It's the right direction in terms of trying to figure out how we continue to think about the gap. There are different factors at play here, and we have to keep all of them in mind as we go forward.

## **10. PLANNING & DEVELOPMENT**

### **A. Informational presentation on proposed San Francisco Bay Conservation and Development Commission Special Area Plan amendment for Pier 27 Cruise Terminal and Northeast Wharf Project and 34<sup>th</sup> America's Cup Project.**

Diane Oshima, Planning and Development Division - I'm here to provide you a briefing on the substantial amount of work that has been underway before and since the city was selected as the host city for the America's Cup vis-à-vis the work that we have to do with BCDC to align these projects with BCDC's San Francisco Waterfront Special Area Plan, which is a prerequisite to being able to get BCDC major permits issued for those projects to be able to move forward.

The staff report gives a briefing of both the proposed Special Area Plan amendments for the Cruise Terminal and Northeast Wharf project at Pier 27, as well as for the America's Cup. Clearly, with the changes in the scope of the America's Cup project, we're going to defer on spending too much time talking about that today. We will be coming back and providing a briefing as to what, if any, changes take place on the America's Cup related Special Area Plan amendments.

BCDC and the Port have been working in an integrated way on planning and orchestrated improvements along the waterfront ever since the Waterfront Plan was being developed. When the Waterfront Land Use Plan was being developed in the late-1990s, we started work with BCDC at that time to work on updating BCDC's policies. The current Special Area Plan, which most of it was approved in 2000 by both this commission as well as the BCDC commission, have been



the basis for us to be able to do the development projects that we have enjoyed in the last 10 years.

Prior to this Special Area Plan, there were different BCDC policies and rules, and effectively precluded our ability to take on any of the kinds of projects that we're contemplating now.

The goals of the Special Area Plan as they're on the books today and which are embraced in our own Waterfront Plan are the joint objectives of identifying areas where you can remove deteriorating piers. That would speak to one of BCDC's primary mandates of removing fill from the Bay, and in so doing, restoring open water areas, which improves the ecology of San Francisco Bay and then planning, in a comprehensive mode, public access and public open space plan that allows you to walk along and continue along the waterfront, and provide that maximum feasible public access, which is the other primary mandate of BCDC.

That, from the Port's perspective, is looked at as part of what we were able to do to get amendments to BCDC's policies to allow for the preservation of the historic piers and bulkhead buildings, and to broaden the range of revenue uses, and commercial uses, and recreational uses that would create the excitement along the waterfront that was sought in the Waterfront Plan, and to also generate revenues and be able to develop funding resources to be able to support that whole agenda.

Prior to those policies adopted in 2000, there was this idea of the replacement fill policy that was the primary impediment for being able to move forward on waterfront improvements also known as the 50% rule. Imagine having a pier that is 100,000 square feet that sticks out into the water supported by pile construction. The 50% rule was the earlier tool that BCDC was imposing to try and balance the fill removal and public access objectives of their mandate with the Port's development responsibilities by effectively requiring the removal of half of that pier, 50,000 of that 100,000 square foot pier that either would have to be removed physically to create open water, or to be dedicated to public access, or some combination of public access and fill removal. With the remainder of that pier, the uses would be constrained to just water-oriented uses, which do not allow for the mix of activities that were called for under the Waterfront Plan.

There were a number of proposals that failed under those rules. Pier 39 was really the only project that was able to take those rules and put them into a real project. BCDC recognized that there was another way that we had to work at to develop waterfront improvement and revitalization.

What we did in the Special Area Plan that's on the books now is looked at the waterfront from China Basin up through Fisherman's Wharf and identified those best places where public open space should be located. Are there places where fill could be removed that enabled those open spaces and open water areas to be created? In taking that approach, there was a recognition that was a better





system than trying to achieve the fill removal and public access on a case-by-case basis under the 50% rule.

Ultimately the Special Area Plan set up this system of the blue areas are the open water basins, and we've heard a lot about that in the context of the America's Cup plan amendments. The green areas, the Brannan Street Wharf down at the southern end, and the Northeast Wharf, which we are now trying to develop as part of the Cruise Terminal project here that are required under the plan. The northernmost at Fisherman's Wharf is a planning study goal, because that was always an objective, but we were never able to get all of the pieces put into place to create formal policies. It was always recognized as something that we needed to come back to.

The proposed Special Area Plan policies, as they're detailed in the staff report, for Piers 27, 29, where we have the Cruise Terminal and the Northeast Wharf proposal, this map is from the existing Special Area plan that shows the footprint of the Northeast Wharf as it's called out in the plan. Within that gray area, the eastern end of Pier 23, the removal of that is also an existing requirement of the Special Area Plan. The plaza and the pier removal in combination were creating this northeast open water basin that was called out in the Special Area Plan.

With the Cruise Terminal and Northeast Wharf project as it's currently conceived, the creation of that as a maritime terminal and the pulling up of large cruise ships along the Pier 27 apron creates view obstructions and use and operational obstructions to the enjoyment of the Northeast Wharf Plaza, from a BCDC Special Area Plan perspective. At the time that this Special Area Plan was approved, we were contemplating a mixed use recreation project. The plaza design and the recreation use were seen as being complementary. We're having to develop and design the Cruise Terminal and the operations to share certain spaces that were presumed to be future public access areas.

In addition, because of the structural surveys that our engineering department now carries out for piers, since the Special Area Plan was approved and the condition of Pier 23 was learned to be a much better condition pier than what had been previously understood, we're now proposing that we keep all of Pier 23. With that and the use of 27 as the Cruise Terminal, it has promulgated the need for us to be looking for alternate open water basins to replace the northeast water basin because of the accommodations for these other uses.

In that context, here is an image to demonstrate how the outline of a ship comes into that open water basin. The Pier 27 apron would have to be closed for the cruise operation, and that takes away some of the public benefit from the plaza. In that context, we worked with BCDC staff, even before the host city agreement was approved, to do some outreach with the community stakeholders to start getting some input about where open water basin locations might be desirable to try and look at, what people's sentiments were about saving Pier 23 versus trying to find fill removal in other locations.



The upshot of that is we are going to be starting a public process to come up with all of the Special Area Plan amendments for the Pier 27 project when the city was awarded the host city agreement for the America's Cup. As a result, we were not able to carry out all that work, and we focused on how we integrate the improvements for the Cruise Terminal with the improvements for the America's Cup.

Some of these other questions about where the replacement open water basin should be located have been proposed as amendments to the Special Area Plan in the form of different planning studies. One would be in the open water basin study that the Port and BCDC would run through to try and find the candidate sites that should be considered. In the context of that work, we also would be committing to carrying out an assessment of the historic resources within the Embarcadero historic district. Because so many of these resources are historic, the idea of removing them to meet fill removal and open water basin requirements is -- we've got some competing public objectives there, and so we want to work with the community on that.

With respect to Fisherman's Wharf, because it always has been an objective to try and improve open water basin and public plaza improvements in that area, which we were not able to accomplish back in 2000, we would be taking on a study to revisit that. If we were able to successfully reach an agreement about how to make improvements up in Fisherman's Wharf, the Port would be seeking the lifting of this 50% rule, which still does apply to that area.

In Daley's presentation on the capital plan, because most of those facilities are under long-term lease with those tenants responsible for seismic and other major upgrades to their pile-supported facilities, the lifting of that 50% rule is a very important issue for us to try and resolve before we get to a situation where somebody's got improvements that they need to do that are constrained against these BCDC rules.

With respect to the area around Pier 27, 29, immediately in the geographic area, because we can't meet all of the public access objectives that were conceived of in the Special Area Plan, we are looking at how we re-craft that public access with the Cruise Terminal program on the site. That is provided clearly in the creation of the Northeast Wharf Plaza, which we're proposing to deliver at a very accelerated schedule relative to what is currently required in the Special Area Plan. Right now the Special Area Plan requires the Plaza to be delivered in 15 to 20 years. In our proposal, we are going to seek funding under the 2012 general obligation bond issue for parks. If we're not successful at that, we would have 11 years in which to complete the plaza. That is just trying to accelerate an existing Special Area Plan objective on the books now.

On the rest of the site, we're looking at the pier aprons on Piers 27, 29, looking at public access that's created at the tips of Piers 27 and 29, and developing a shared use between the maritime functions and for the Cruise Terminal operations and maritime berthing and when those maritime needs are not in





place at 27, to then open up the 27 tip and the apron for public access so both BCDC and Port objectives can be achieved. That still falls short from what we were looking for originally in the Special Area Plan, and thus we are looking at off-site public access improvements between Piers 19 and 23, and at Pier 29 ½.

For Pier 19, if you recall under the America's Cup proposal, we were looking at having two in the north apron of Pier 23 and the south apron of Pier 19 improved as part of America's Cup. For the Cruise Terminal, we're looking to complement that by having the Cruise Terminal then deliver the south side of Pier 23 and the north side of Pier 19. That would enable the pier aprons on 19 and 23 to be improved. In addition, for Piers 27, 29, the connector building between Piers 19 and 23 is a non-historic structure. There's an opportunity to create major views and public access to the bay, and so that's included as part of the proposal too. The improvement of Piers 19 and 23, the removal or modification of the 19½ are part and parcel of our thinking around that transfer of development rights funding strategy that has just been discussed.

If we were able to accomplish those planning processes that I just described in the previous text, and be able to identify an alternative open water basin location by 2015, we would be able to effectively replace the removal requirement for the east end of Pier 23. There is a timed period within which all of this work needs to take place. Usually this is what we're talking about. Piers 19, 23, and the 19½ connector are the public access areas off-site. As well as on the Pier 29½ site, similarly we're looking to have some public access through that connector building out to the waterside as part of the off-site. On Pier 27, 29, the public access improvements that I just described are depicted here as well.

With regard to the funding strategy, we recognize that, on top of everything else that's going on, that is a key concern. The staff report lays it out in more detail, but either through these funding tools that exist or have been created since 2000 or we hope to create in the terms of the TDR rights. We have a more robust range of funding tools available to us than we did back in 2000. Those obligations constituted about \$30 million worth of improvements. We're looking at about \$20 million in new improvements that are associated with the amendments that are proposed at this time, with an acceleration of the delivery of the Northeast Wharf Plaza.

While we don't have it all in hand, we have tried our best to integrate the costs associated with these kinds of improvements that enable the Port to be able to bring about a major maritime facility along the waterfront, and to integrate that actively with the 10-year capital plan work that Daley and Brad have been working on.

With respect to the next steps, the process had started back in 2010. We were before the Commission a few times last year, and in January, the BCDC staff presented their first staff assessment of our proposal. There is a revised staff recommendation that has just been mailed out last Friday to cue up for our review by the BCDC Commission on Thursday, March 1<sup>st</sup>. That would be the





point at which the Pier 27-related Special Area Plan amendments are due to be considered for approval. If that happens, we would be going to March 15, 2012 as the next date for seeking a major permit for the Pier 27 improvements.

As I've indicated, with the change in the scope on the America's Cup, we've just met with BCDC staff this morning and they recognize the city and the board need to get their ideas together on the refinements. We will probably not be going forward with the Special Area Plan amendments on the America's Cup until April, and then looking for a major permit on the America's Cup in May.

It's been an extraordinary process. I have to express my gratitude and appreciation, particularly to Brad, because he has been incredible on being able to work all of these issues into the negotiations and with our Cruise Terminal team; they have been very nimble at trying to respond to these issues as well and finally to our community stakeholders, who have been very supportive in giving us their input through the interview process and lastly, to BCDC staff; they have bent over backwards to try and hear what our concerns are and work out a proposed rollout of these improvements that are doable.

Corinne Woods -- I chair the Mission Bay Citizens Advisory Committee to the successor agency of the Redevelopment Agency, and I'm looking forward to working with you, Robert. Even though we're not talking about the BCDC America's Cup approvals, in fact, in a lot of ways, it makes it easier, because maybe we can negotiate something. One of the conditions for dredging was going to be the approval of an exclusive negotiating agreement for a recreational boat marina at Pier 54. Pier 54 is adjacent to what is going to be Bayfront Park, a five-plus acre park on Terry Francois Boulevard. Daley showed you in his slides that the Port's portion of that park has been completed. It's really a nice walk if you can get down there. Yesterday I would have said to you that we're looking forward to building Bayfront Park in the next five years, because the two blocks of Mission Bay adjacent to that, blocks 30 and 32, were going to be constructed by Salesforce. Today I can't say that, because now we don't know when Terry Francois Boulevard will be realigned, and there are all kinds of triggers that mean Bayfront Park will be built probably later. It does mean that there will be an open water basin, although not one officially recognized by BCDC, in front of Bayfront Park. I would like you all to think about whether it makes sense to put a recreational boat marina, which granted we need, right in front of what is going to be a major park for Mission Bay. As the negotiations for the America's Cup move forward, I would like you to keep this vision of Bayfront Park in mind, and recognize that this is an important amenity for Mission Bay, for the Blue Greenway, for the eastern neighborhoods, that don't have any dedicated parks and open space. As the negotiations move forward, please pay attention to Mission Bay.

Commissioner Lazarus - The Special Area Plan sort of came first, and then we've decided that Pier 27 is the spot for the Cruise Terminal and that meets the maritime mandate of the Port, but then ends up clashing with the BCDC mandate around the plaza and open access. Is there any reason that there



wouldn't ultimately be a compromise, because you've got two public policies kind of running out each other through a plan that predated these developments?

Diane Oshima - I think that the struggle is that we both are public trust agencies. BCDC's mandate is narrower than the Port's public trust responsibilities. Initially I think that we looked at it more as a clash. Now, frankly, I do think that we're looking at it more as that reconciliation and compromise. Previously, if you had proposed a project that was a maritime project, BCDC would not give any credit or recognition to that public trust value in the same way by being willing to share that space along the Pier 27 apron, or in the provisioning area at the tip of Pier 27, as a shared maritime and public access space. They're willing, and they have embraced the idea that the Port needs to use that space for some of its functions. They accept that the security requirements to close those areas are real. There's not a penalty, or there's not, a direct offset that we're having to seek out because of that. Our experience has been very collaborative, and that both of the agencies have gained a richer understanding about the inner relationship of our public trust responsibilities such that we can work together. At this point they're accepting the shared public access maritime function. They've also been responsive to the Port's funding and financial constraints by giving us time to be able to stretch out those improvements over time. Frankly, that time is going to help everybody, BCDC, the Port, and the public, to learn more about what these spaces are that we create, and what's really the best way of being able to get that high public enjoyment when you don't have the maritime function in the way to figure out the improvements that best fit that, rather than trying to figure it out today. Those are all good developments for all of us.

Commissioner Woo Ho - So the shared open access that is now part of these Special Area Plan amendments, relative to when the Pier 27 and the America's Cup plans for that, how much was that added on to the cost that was initially envisioned?

Diane Oshima - It's hard to put a real specific point on that, but by and large, the range of improvements in the public benefits package that we're looking at now would have pretty much been what we were talking about. I don't think that it would have changed that much if the changes might have been more in knowing where that alternate open water basin would be, instead of having a study that calls for that as a forward step. The issues that we're trying to solve for in this current proposal for public access are particular to the Cruise Terminal, with or without the America's Cup.

So had we had more time to be able to answer the questions that are now the subject of these planning studies, that's maybe how it would have changed but these are all related still to the Cruise Terminal and Northeast Wharf Plaza project and I don't believe, driven much at all by the program on the America's Cup. America's Cup generated an additional planning and review of the waterfront for public access improvements, in addition to what we're talking about now for the Cruise Terminal.







Brad Benson - Just to get to the numeric answer to your question, on the Cruise Terminal we're seeing that the Northeast Wharf Plaza was an existing requirement in that area of the waterfront. About \$14 million is our current staff estimate. The other Special Area Plan amendment requirements associated with the Cruise Terminal and the major permit are in the vicinity of about \$20 million, and Diane laid out the potential funding strategies to pay for those improvements. We've tried to negotiate with BCDC staff that those improvements would be to things like apron areas that the Port has in its capital plan anyway, and add to the functionality of those adjacent piers. With respect to the America's Cup, we were calculating this morning that there are either Special Area Plan amendment or major permit requirements associated with the America's Cup that might total as much as \$9 million to the project cost.

Commissioner Woo Ho - That were not envisioned initially?

Brad Benson - Yes. As a matter of fact, when we went to the Board of Supervisors to estimate the cost of the America's Cup related to improvements to Port property, we didn't project any BCDC-related cost. That was largely an oversight of Port staff at the time, rushing as we were and not thinking through all the regulatory requirements.

Commissioner Woo Ho - As you mentioned, Diane, BCDC has a narrower agenda than what the public trust agenda of the Port and some of the things that you mention in your slide in terms of the joint objectives. You had listed establishing and implementing funding sources. I'm wondering whether there's more discussion we can have, since we should be collaborating and sharing, but it's easy to be a regulator on one side and say you need to do this and this but we are on the receiving end to figure out how are we going to pay for this, and what is the cost-benefit analysis, and if there's any way, as we go forward in our joint objectives in discussions with BCDC, that we can also introduce more of a sharing of thinking through the financial feasibility of some of the requirements and recommendations that they make that are not strictly, purely regulatory, but this is what we think you should do. I just would add that as a comment in terms of your ongoing conversations, because it's tough for everybody to figure out. It can't be just one party that has to figure out how to pay for everything, and it is an accountability and responsibility that we all share.

Diane Oshima - I agree with you. The point is very well taken, and in the context of all that's happening, that point I think has been understood broadly. More specifically to your point, it's these three planning studies that we are targeted to carry out in the next three years. In the past, this commission has either in whole or as a committee had joint meetings with a committee of the BCDC Commission so that we can create the process for those dialogs to take place.

Commissioner Crowley - I have an additional question. Diane, what did you say the push or the schedule is for this -- an additional three months, from March to May?



Diane Oshima - From March to May?

Commissioner Crowley - Your second to last slide, how much additional time is it going to take to get this going?

Diane Oshima - We're estimating at this point that the Special Area Plan amendments for America's Cup, we had been cueing it up to take it to the BCDC Commission on Thursday, March 1st. We're looking at about a month's delay on that for the Special Area Plan, and then maybe a month after for getting a major permit for the America's Cup.

B. Request approval of proposed amendments to the Port Harbor Traffic Code allowing certain parking restrictions and installation of parking meters on improved Port streets east of Third Street between Mission Creek and Mariposa Streets. (Resolution No. 12-17)

David Beaupre, Planning and Development - Assisting me is David Rosales from the Port's Real Estate Division. On January 20, 2012, I presented an informational overview of the proposed Port Harbor Traffic code amendments and how the Port has been coordinating with the SFMTA.

Since that hearing, MTA has decided to delay the legislation for the areas outside of Mission Bay, and therefore the Port will also delay that and try to align and coordinate more closely with MTA on the timing for those areas, again, outside of Mission Bay. Within the Mission Bay area, the Port, I'd like for you to consider the amendments to the Port Harbor Traffic Code to align with the MTA's existing Transportation Code that will allow for the installation of parking meters on Port streets within Mission Bay along China Basin Street, Mission Bay Commons North, Mission Bay Commons South, 16th Street, once it's constructed, Illinois Street, all, again, within Mission Bay.

In addition, we'd like to eliminate the two-hour time restrictions on Terry Francois Boulevard and Mission Rock Street, and allow the staff to have the discretion on where certain time limits might be placed, for instance, in front of regional serving parks, Bayfront Park within Mission Bay and some of the Port commercial businesses within Mission Bay.

The cost of these amendments would be about \$244,000 for the installation of parking meters. They cost about \$12,000 a month to operate through an MOU with SFMTA for enforcement, but we receive about \$31,000 a month in projected revenues so that we anticipate, with a three-month ramp up for installing the meters and getting the program underway, that the return would begin after about 16 months to the Port. I want to point out also that revenue is not the primary reason that we're installing these. It's more for parking management and transportation management.





If approved, we'll complete the meter installation, adjust the meter hour of operations, and then coordinate with MTA on ongoing monitoring of the program, and adjust where needed.

Corinne Woods, resident of Mission Bay - I do support the meter plan. It's important that we do some parking management in the area. I have a couple of issues. One is that there are certain parts of Terry Francois Boulevard that don't have sidewalks, and therefore you can't put meters in. A lot of Mission Bay, obviously, is under construction, and then you can't put meters in. In the places where meters can't go in, if parking's going to be allowed, we would like you to keep the two-hour parking limits. I know it's tough for MTA to enforce parking limits, but we don't want to encourage free, all-day parking for commuters. I'm a little concerned about the 11 p.m. time limit on the meters, because the only time when that really is important is when there's something going on at AT&T park, at which point we definitely want them until 11 p.m., and we definitely want special rates to apply, because we don't want to undercut the rates for the local garages and parking lots. We don't want to encourage more people to drive to the games. Until 11 p.m. -- I understand that you do it on the Embarcadero, but it's kind of a different neighborhood at Mission Bay and outside of game days. I don't think you're going to make enough money to warrant the extra enforcement that you're going to have to put in, but I get that you want to be consistent. I would like you to monitor this very closely and see whether it's really necessary to run the meters until 11 p.m. outside of events at the ballpark. We all have to watch this closely. We don't want to discourage Mission Bay retail of which we don't have much of yet but I've talked to retail brokers who've said that they want to be able to have turnover; they want to be able to have people be able to park to go to restaurants or whatever. The unlimited, all-day nature of these meters really doesn't encourage that kind of thing. This is stuff we've been talking to MTA about anyway that one size does not fit all, all over the city, and that we'd like them to pay particular attention with the new meters in Mission Bay to make sure that they do what we need them to do for this new neighborhood.

Topher Delaney -- I own the property at 600 Illinois. I am a business owner. I own a business. I have approximately six to ten people that work in this business every day. I'm on the corner of Illinois and Mariposa. Meters are a bad, bad, bad idea for us because people are working there all day. We're actually also a retail operation. It is very difficult and Corinne is completely right; we have all-day parkers. It's like a warfare down there now. We jockey for positions to keep these people out. We tell them not to park there. It is an all-day parking lot, and I do understand the dilemma but for meters, that is just as the rest of Dogpatch and all of us are contesting meters are not the answer for us. Timed two hours, yeah, that's fine but meters, no. It's just these people are working. You're going against people that are trying to run businesses in San Francisco. This is not conducive to running businesses. It may be helpful to the Port but it's certainly not conducive to your commerce, and just gets harder and harder, not easier and easier. From crazy bike lanes in front of us, it's just another impediment to running a business. Our employees getting \$60 parking tickets, running out in the middle of a conference, it's crazy for us. There are not many businesses





down there probably three of us that are original stakeholders. Is that fair for the rest of the group? I'm totally 100% against these meters and every business owner is 100% against them, as are the rest of Dogpatch, as are the rest of all of the people who live south of Mission Bay. You have to move your car every two hours, but no meters.

Commissioner Lazarus – The last time this item was presented, I asked about how you explain meters with no time limits. I still don't quite understand the concept behind that if it isn't revenue driven. I think I was given an answer that it does drive some turnover but in principle, it doesn't really make sense to me.

David Beaupre - I'll try to explain it in MTA's absence. The SF Park Program is market driven, and so with no time limits, which really helps the parking user, or the person in the car, based on the market of where the demand is for the parking, they'll ratchet up the rate where it's very popular, and lower the rate within blocks, so that wherever you want to park, there is always a space if you're willing to pay. That's why going from two hours, which is difficult for the user if you have a three-hour meeting and you only find a two-hour spot, that's difficult for you as a user but if you're willing to pay where you want to park, then you can park there as long as you want. If you're willing to walk a few extra blocks, you can pay a little bit less, but there will still be a spot there. I don't know if that helps answer the question at all, but it's market driven, and the unlimited time makes it easier for the user.

Commissioner Lazarus - That helps a little bit.

David Beaupre - It's definitely not intuitive until you think about it. Because I've been going with MTA to a number of meetings and have been following and working with the community and the outreach I've started to kind of pick it up.

Commissioner Lazarus - I guess the other thing that I would like to suggest is that we ask formally that we get a report back on how this is all working, because you, yourself, raised that there are a number of questions about the impacts, and that we set some timeframe after these have been installed and in use for a while, if there's a way to survey the impacts to report back to us.

David Beaupre - Absolutely. Just to be clear, currently there are no plans to put in meters where there are not sidewalks because those aren't the fully improved streets within Mission Bay. We'll continue the two-hour regulations where the Mission Bay streets haven't been completed. We'll definitely be working with MTA to monitor how the meters are working, and also just on the duration. We're asking for approval to amend the Harbor Code to allow us to go from 7 a.m. to 11 p.m., like we do on all other Port streets today, but so that we're consistent with MTA, who's only going to be operating the meters from 9 a.m. to 10 p.m. We'll align that so it's easier for the user and more consistent across the street.

Commissioner Katz - Addressing some of the concerns that were raised by the prior speakers, currently there's potentially a two-hour time limit. If employees



are there, in theory, they have to move their cars every two hours under the current scenario but under these meters, they could pay to leave their car there for an extended period of time?

David Beaupre - All day long, so they wouldn't have to go out and move their car around the corner, or spin their tires, or continue to feed the meter.

Commissioner Woo Ho - Following up on that comment as it was explained to me the other day that you could use a smart card and pay and park for eight hours. If you were designated a resident or working in that area that you would have that privilege to be able to get up to eight hours or whatever, versus the general member of the public might only get two hours.

David Beaupre - No, that's not how the meters will work. They're the same rules for everybody, whether you live in the area or not. It's unlimited parking. You can get a smart parking card that MTA has. They come in 20-, 50-, 100-dollar values. You plug it in and you pay for the amount of time that you want to be there. If you get there before the meters operate, let's say the meters start to operate at 9, you know you're going to be there until 11 but you get there at 7; you can plug in your two hours of time at 7 a.m., so the meter doesn't start clicking until 9, and then at 11 the time will expire.

Commissioner Woo Ho - The issue that has been raised by some of the public members is that they could program the amount of time that they think they're going to need to park their car.

David Beaupre - That's correct.

Commissioner Woo Ho - It would just be a question of paying for it, versus perhaps today it's no payment.

David Beaupre - Yes. Today there are some areas where there are two-hour restrictions. Where the streets are improved, we'll put the meters in. There will be unlimited time, but it will be paid.

Commissioner Woo Ho - If you park for eight hours, do you get a better rate?

David Beaupre - No.

Commissioner Woo Ho - So no discount for time?

David Beaupre - There will no discount. Currently the Port operates meters along the Embarcadero, for example, where the rate's \$1.25 an hour, \$1.50 an hour. But after 7 p.m., it drops to 50 cents an hour, and we anticipate doing the same within Mission Bay.

Commissioner Woo Ho - The Commissioners would like to recommend that staff spend a little more time with the community to explain how these meters are





going to work so that they do understand, and there's no misunderstanding. Then we would like to get some feedback so that we can hear how the program is working, and so that we view this as a program on a pilot basis until we iron out all the kinks. Part of it is how everybody understands how these meters are going to work.

David Beaupre - Absolutely.

Commissioner Crowley - I concur with Madame President, but I'm a little bit confused. When games are going on, I suspect the meters at 7:00 p.m. don't drop to 50 cents.

David Beaupre - That's correct. During AT&T's special events, we do have a special meter rate. I covered that in more depth on my January 20<sup>th</sup> presentation.

Commissioner Katz - From a technology standpoint, my understanding is that there's a move towards allowing payments to be made via smartphones. Can somebody extend their time via their smartphone?

David Beaupre - Yes. All the meters that we're now installing can accommodate that. Beginning in April, the Port meters will have that technology.

Commissioner Woo Ho - So you could be sitting at your desk and realizing the meter is going to expire, you wouldn't have to go out and feed the meter. You could use your smartphone and extend your meter.

David Beaupre - That's correct.

Commissioner Katz - I'm not sure if this is the appropriate forum, but perhaps something that could be looked into that hasn't been discussed is if there may be some way of getting parking cards that you can purchase for the various meters around the city. If there might be some reduced rates to provide those cards to businesses in the area for their employees. We may want to explore something like that that might address some of the concerns if it becomes a cost issue for some of the employees.

David Beaupre - I'll discuss that with MTA and but I can't imagine that it would be extremely difficult to manage that. I will check in with SFMTA to see if that's feasible.

ACTION: Commissioner Brandon moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor. Resolution No. 12-17 was adopted

- C. Request approval to award the Pier 70 20<sup>th</sup> Street Historic Buildings development opportunity to Orton Development, Inc. and to enter into exclusive negotiations for a lease and development agreement of these buildings to



achieve the objectives specified in the Port's October 4, 2011 Request for Proposals. (Resolution No. 12-18)

Kathleen Diohep, Planning and Development, Pier 70 project manager - We're here today at the end of an extensive outreach and marketing process to try to find private sector partners to help us recover some of the most extraordinary buildings in the city, not just at the Port. This builds upon the Pier 70 master plan process, which finished in May 2010. When we came forward and made recommendations on how to move that process forward to implementation, we broke Pier 70 into what we hoped were some manageable-size pieces, the first one being the waterfront site, which we entered into negotiations last year with Forest City Development and anticipate coming back to you later this year with more information on that. The second being the Crane Cove Park project, which is part of the Blue Greenway work, and is underway right now and then the third being the 20th Street historic buildings, which is the row of buildings lining 20th Street.

We offered these through an extensive outreach. We spent much of 2011 talking to people, outreaching. We did a request for interest process. About 176 people toured the buildings. We got 15 responses. We invited 10 parties to make proposals. We received four proposals to the RFP. In the January 20th package, you received the summaries of those four proposals. Between the package going out and your meeting, one of the proposals withdrew. Subsequent to the presentations to the Port Commission, a second proposal withdrew their proposal. So now we moved forward with in depth review of two proposals, after an enormous amount of people kicked the tires here. We've had a lot of looks, and I'm pretty excited that we really did look for the funding sources, and the folks can move forward.

The two proposals came from a consortium of equity community builders, and then Build Inc. through a new venture they've created called UP. The second is Orton Development Inc. As you saw in their presentations in January, these are both extraordinarily strong developers. They've done a lot of historic preservation through San Francisco. They both understood the Pier 70 context, and we're excited with what we got here.

Their concepts of what they would propose doing by building, the words are somewhat different, but essentially they're talking about using the office buildings for office-type uses, maybe some show rooms, looking at converting the power house to some kind of public food restaurant use. South of 20th, these are the really interesting buildings, some of the most expensive buildings to redo. In the plan, we had called for a public use. We thought we'd do a market hall. Maybe there'd be an event hall. What actually has come forward in both cases is this light industrial use, more of an extension of the economic activity we see in Dogpatch right now, the types of things like Rickshaw Bags, or other things going on in the American Can building. That's interesting if we can have this part of Pier 70 continue to be a light industrial use in a former heavy industrial use, and continue people making and creating things in San Francisco.





I would note that the ECB team included some statements of interest in a number of tenants that had expressed interest in these buildings as part of their proposed team. We really dug in, and I think the gorgeous pictures of the buildings are good, but the issue comes down to the economics, and the financial capacity, and the cost to do these projects, and how we can move forward. The distinctions between these two developer teams was in how they saw the project economically and what funds they had available now to commit to the project.

So what we asked for knowing how very difficult it is to project the actual costs of historic preservation before you really dig in, and hire the engineers, and do all the estimates. These are what we call a conceptual pro forma. Tell us how you're considering this project. How do you look at it? The real difference between the two teams is the Orton group believes they can do this at a lower cost, and is ready to step up and put in significant equity. They then look at we would secure a loan that would be paid back by the revenues generated by the project and the Port and the developer would split the proceeds.

ECB group sees this as a project that is going to be really difficult to do without some kind of subsidy, or funding, or feasibility gap. They came to the table offering to spend the money, which is to figure this project out, and then go looking for those funding sources. That's the key distinction.

As we move forward and we undertook the evaluation process, we had a consultant review these proposals. We convened a technical panel to score and review. We had a great meeting with the CWAG, and both developers presented and understood. Then we did the actual scoring on the evaluation criteria. The panel consisted of Mike Buhler, head of the San Francisco Heritage, historic preservation expertise; Toby Levine, who's played an enormous number of roles at the Port, including chairing the Central Waterfront Advisory Group, has served on the Planning Commission, and a number of roles. They each represented the Central Waterfront Advisory Group. We used Jennifer Sobol, who recently retired from the Port, because we know she did these projects, understands the complexities of them and Terezia Nemeth with Alexandria Partners, a developer in Mission Bay, for a private sector perspective.

The scoring plays out what I said right up front. They're both strongly qualified developers. They get our concept. The difference comes down in the feasibility, which is the evaluation of will this project work and then in the financial capacity that each brought to the table. So what staff is recommending is that we get the authority to initiate an exclusive negotiating process with the Orton development team to refine and bring forward a project. We would come back to you for approval of the exclusive negotiating agreement. The main thing you do during that period is you dig in and you try to come up with a good project. Obviously we'd be back to both the Port Commission, the community, and any number of bodies to review that project and go forward with creating economic terms to make it happen.





We are asking the Commission to approve the resolution at hand. That resolution makes a number of findings. One is that both teams were qualified and met RFP objectives. The second is authorizing us to go into exclusive negotiations. I wanted to close with this was our marketing imaging in 2010, and I thought we were outreaching, but now I think we're actually going to make this happen, and Pier 70's moving forward.

James Madsen, Orton Development - On behalf of my team, I wanted to thank you for your consideration. We're very honored by staff's recommendation, and we hope we can move forward quickly. We look forward to starting quickly if we are chosen.

Manuel Flores - I represent the Carpenters Union Local 22. This project's about a block and a half from my office on Third Street. It's a wonderful project, and it's a shot in the arm in the area. I don't know how many times I've driven there and went "Man, someday, someday." So now it's coming to life, and it's much needed. We strongly support it, and it's a great thing moving forward. I'd like to point out that we've had issues with one of the developers, UP, Build Inc. about ongoing labor disputes concerning prevailing. It hasn't been going well. It's really a concern to our office, so we just wanted to point that out to you on that particular developer. However, we hope these are issues that are addressed in the negotiations with the developer of your choosing. We encourage you to move forward on the project as a whole, and thank you very much for your support.

Dave Fenon, venture capital group - We were looking to do a large project in Burlingame but we were directed to San Francisco. City Hall directed us to that area, so we've only just learned of it. I was curious why there are only two proposals for such a large project. I wish there were more than two proposals. We would love to submit a proposal.

Monique Moyer - You are a year and a half late. You can talk to staff after the meeting since the Commission cannot engage in a discussion.

Commissioner Katz - You may have heard from Ms. Diohep's presentation that we spent a lot of time seeking and soliciting bids on the project. I want to thank our staff for just tremendous outreach. Sometimes it's imperfect. You don't reach everyone but we really did a very extensive process, and kept it open for quite some time to really be creative on this. I want to commend the staff for taking a look at this. I view this as an area that has such unique character, and it's going to be a tremendous enhancement for the whole area as we move forward on this project. As I've said many times and now that we have the Orton team, especially as we're sitting here in the Ferry Building that it would be wonderful if we could see something akin to this that would be a showcase for local businesses, not necessarily for food-related items, but for locally produced items from some of the businesses that may be manufacturing in the area, to have a facility there that would be essentially a storefront and a destination for people to come and see local items, and be a draw for more traffic, so to speak but not



necessarily parking traffic in the area. Hopefully we can take a look at some of these buildings and there may be some space that could be utilized. That would also then reduce the environmental footprint by allowing the manufacturers locally to have a retail space right nearby so they wouldn't have to ship their products a good distance. There's tremendous opportunity here, and I would like to thank everyone involved. I'm very excited to see this move forward.

Commissioner Woo Ho - I would like to echo Commissioner Katz's comments. Staff has done a tremendous job in outreach. I'm sorry we didn't get the word out to everybody. We're here to approve the actual selection of the developer. I'd like to stress that during the negotiation process that there is some Port participation in the future revenues. When this item comes back to the commission, we see some modeling and understand if we are going to not only just preserve the buildings with what the developer proposes in investing but also there is ongoing revenue opportunity for the Port. This will be a major project and that whole area we'll be also developing. We hope to see evidence that projections could support the idea that the Port could also participate in some of the bottom line here over time. I understand you're not here to answer that question today. I'm just requesting and giving you direction that we would like to see that model modeled out, and that we have a chance to review that in detail.

Kathleen Diohep - Yes. The first thing we'll be back with you is just the ground rules for the negotiation, but it would clearly include understanding the economics.

ACTION: Commissioner Brandon moved approval; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor. Resolution No. 12-18 was adopted

## 11. MARITIME

- A. Request approval of business terms for a proposed Sixth Amendment to Lease L-11320 with BAE Systems San Francisco Ship Repair, Inc. for a portion of Pier 70 Plan area and authorization of Executive Director, or her designee, to negotiate and enter into the proposed Sixth Amendment. (Resolution No. 12-19)

Brad Benson, Special Projects Manager – Kathleen Diohep will share the presentation with me. We've also been working on this project with Gerry Roybal and Peter Dailey in the Maritime Division. I want to welcome Hugh Vanderspek, the general manager of BAE San Francisco Ship Repair, our ship repair partner with whom we're working on this project.

The Pier 70 Shoreside Power Project arose out of the city's efforts to secure clearance under the California Environmental Quality Act for the James R. Herman Cruise Terminal project at Pier 27 and the America's Cup. It was really through a very rigorous process led by the planning department that we identified some particularly significant air quality impacts associated with the





project. I want to acknowledge some of our environmental stakeholders who participated in that process: Teri Shore from Turtle Island Restoration Network and Diane Bailey from Natural Resources Defense Council. Teri and Diane really volunteered, and worked with the Port, and are regulators to try and think through some of these air quality impacts and identify this project as a solution that could move the project forward.

I'm going to talk to you about the Shoreside Power Project at Pier 27, the proposed project at Pier 70, some of the air quality benefits of the Pier 70 project, a letter of intent that the Port signed with BAE and our sister agency, the San Francisco Public Utilities Commission, a proposed financing approach for the project that we've been working on with Elaine Forbes, the deputy director of finance and administration. Kathleen will take over and talk a little bit about the ship repair background and a proposed sixth amendment to the lease to carry out the project, and some other changes to that lease. Then we'll talk to you about next steps.

The Pier 27 Shoreside project was a marquee air quality project for the Port. It was a \$5.2 million project installed at Pier 27 that became operational in 2011. We put together funding for the project from a number of grant sources. The Bay Area Air Quality Management District contributed \$1.9 million to the project. The San Francisco Public Utilities Commission contributed \$1.3 million, and USEPA and the Port each \$1 million for a total of \$5.2 million.

We got it up and running, and then we're turning around and shutting it down, and the reason is construction of phase one of the Cruise Terminal, which is starting now. One of the first steps in that project is decommissioning that shore power facility so that they can then undertake demolition of the Pier 27 shed.

As a result of that construction activity and the America's Cup village concept that will follow, shoreside power at Pier 27 is going to be out of commission from February 2012 through October of 2013, when phase two of the Cruise Terminal construction project can start, along with reconnecting shore power at that location. That obviously creates a lot of air quality impacts, and the CEQA process quantified those air quality impacts. They found those impacts to be significant. We had significant public comment from some of our environmental partners and the regulatory agencies who look at these issues. As a result, the planning department, through the environmental review officer, imposed a mitigation measure requirement to install shore power at Pier 70.

I want to credit Jay Ach of the maritime division. He took the lead on the Pier 27 project, and he was the person who identified the opportunity and had been talking with you about this opportunity and came up with this solution.

With the help of ENVIRON, one of the sub-consultants who worked on the CEQA process, we did some modeling of the air quality benefits of the proposed Pier 70 Shoreside Power Project, and it will have major air quality impacts for the southeast community at the foot of Potrero. We didn't know it that well until



we got into this project, but what happens at the dry dock is pretty similar to what happens at the Cruise Terminal. You have a ship that comes in for ship repair activities. It either runs its engines in order to generate electricity so that it can generate light and supply the teams who are doing the ship repair activities in the vessel or the shipyard has to bring in mobile generators, which run on diesel and emit significant air pollution. All of those activities currently happen at the yard. They're currently permitted under the shipyard's air permit. This project is the best way to improve air quality at the shipyard.

As a mitigation in the CEQA document, this project fully offsets the decommissioning of shore power at Pier 27 for the two-year period, and it has surplus air quality benefits that help us at some of the additional America's Cup race operations emissions to the point where in three of four air quality or air criteria measured by CEQA, with this project we're actually cleaning up the air.

We spent quite a bit of time with Hugh and the San Francisco Public Utilities Commission trying to noodle through how to finance this project. It was an uncomfortable initial conversation with BAE because as a result of this project being a mitigation measure in CEQA, the project is not eligible for Carl Moyer funding. I want to thank Hugh for taking that news in stride as we tried to come up with an economic solution for the project.

The letter of intent proposes that BAE will construct a 12-megawatt system at Pier 70 using an electrical contractor it identified through an informal bid process, Eaton Corporation, highly qualified to do this kind of work. Eaton is in the process of trying to meet the city's various requirements for doing business with the city, and we'll continue to assist them with that. Mayor Lee and Supervisor Cohen have introduced legislation at the Board of Supervisors to enable the Port to work with BAE on this project in a not-to-exceed amount of \$5.7 million, and that includes a \$600,000 cost for disposing seven PCB transformers that have been at the site for a very long period of time and are well beyond their useful life. It's the Port obligation to dispose those transformers.

Under the terms of the letter of intent and the proposal to you today, the Port would fund the project and come up with the initial sources of capital to pay for the work. After installation of the project, BAE would pay an equipment charge of 4 cents per kilowatt-hour used by the system. That cost would be passed through to the vessel owners that are taking advantage of ship repair services. That's the major repayment source.

The PUC has very graciously agreed if this system uses about 65 million kilowatt-hours by 2017, to contribute \$1.5 million as a project rebate. We envision that the 4 cents per kilowatt-hour would continue until all project costs are fully amortized. That may not happen within the existing lease term with BAE, but to the extent that that lease term is renewed and there is a need to continue paying back this project, the 4 cents would continue. The San





Francisco Public Utilities Commission would install a utility-grade meter to measure the actual electricity used so that we can pass on that 4-cent charge.

Working with Elaine Forbes, we estimate that the capital outlay for the project would be approximately \$6.4 million. That covers the capital cost of \$5.7 million, debt service reserve of a little over \$600,000, and a low \$50,000 cost of issuance. That's largely due to the fact that we proposed a couple of financing for this project, along with about \$15 million in debt for phase one of the Cruise Terminal project.

There's a short-term financing need. The long-term debt solution is some months off. Mayor Lee and Supervisor Cohen have introduced a supplemental appropriation ordinance at the Board of Supervisors that would re-appropriate some money from the backlands project, which was part of the 2010 revenue bonds projects. That project has been designed. It's ready to go to construction this summer, and the proposal would be to borrow funds on a temporary basis from that project until the long-term debt proceeds are available.

Elaine Forbes has been working with the controller's office to fashion that long-term debt proposal, which would be certificates of participation. There are real advantages to that. While it would be repaid by Harbor funds, the city has an excellent credit and the certificates of participation issuance will result in very low projected interest rates on the project. It would be a 10-year debt. \$780,000 a year is the annual debt service that we estimate. Based on the 4 cents per kilowatt-hour, we estimate a \$5.8 to \$8.3 million in payback sources for the project should be enough. We are confident in projecting that the Port will likely recover 75% of the total project cost, but it could be all of the project cost.

Kathleen Diohep - I've been working with maritime and others with how to sustain and grow ship repair within the master plan while we're doing everything else. It's important we realize that this lease has been going since 1987, but actually at one point in time this whole site was ship repair, and their leaseholds have just been getting smaller as time and the business came down. There's been a whole series of amendments over time. There are now 20 buildings, two dry docks. They operate and run this equipment. This lease, as it currently stands, runs through December 2017.

We did a real significant amendment in 2007 in partner with both Princess Cruises and BAE to upgrade the dry dock to be able to lift large cruise ships, and invest \$5 million. It was notable and it was challenging lease amendment negotiations. We're moving forward with a number of issues both the shoreside power and a few other kind of housekeeping, cleanup issues on the lease.

BAE currently pay the Port rent at 3.3% of their revenue. There's still a rent credit playing out over these 10 years of \$300,000 a year. It's how they're getting back some of the funds from the dry dock upgrade. That annual minimum guarantee will increase to \$1.5 million in January 2013. In general, even with the





rent credits, the rents have been above the minimum guarantee. As you've seen in the budget number, ship repair is one of our strong revenue areas.

This gives you a sense that if we took this slide back even farther into the 1990s, ship repair was hit when the base closures happened in the 1990s. They were able to grow their revenues. The slowdown in 2006/07 is when they were doing some of the upgrades to the dry dock, and they've had a strong growth rate. We hope that continues to succeed, and that ship repair can be an ongoing part of Pier 70 and at the Port for a long time.

We're looking to do a number of things in this lease amendment. The main thing is executing the letter of intent that Brad alluded to. One of the more successful partnership we did last summer was dredge, so ships could get in to the dry dock, so we could keep people repairing ships. We reached some agreements then about how we would share costs for future dredging. We're hoping to move that on to the federal responsibility as being part of a federal channel and we're also agreeing to work together to do that.

We're realigning the premises. This is the premise boundaries now. The lighter gray hatches all what we call the reversionary, because they are to revert back to the Port in December this year. BAE is actively using this building. It's going to cost them a good bit to get out of. Some of this area is exactly behind the buildings that we just agreed to go into negotiations with.

This area does not have a whole lot going on. They're not using all of it. We're asking BAE to retain all of it, the parts they're using and the parts they're not and to keep it secure and keep people out of it. What we're doing is establishing, with the various parts the reversionary, Area A which is behind the historic buildings, we would give them one-year notice. That can work within the plans we would do with the developer. Area B, which is a building that sticks into 20th Street, we'd give them six months' notice. Area C is part of an ongoing operations and parking lot that we would include in the lease.

The blue block in the corner near the park is a license area which is currently on month-to-month. We'd be including that, but we could get it back with one-year notice. We're not giving any reduction in rent for getting less leasehold. Their revenue comes from what happens in the dry docks. We need to be able to get to these historic buildings without necessarily having to go through all the security measures. We're going to put provisions so that we can realign fences and lines to access the historic buildings.

Those are the other smaller amendment pieces that we had been planning to bring to you some time this year, but we managed to move it along with the shoreside power negotiation.

Brad Benson - If the Commission authorizes staff to go forward today, we would move next to the Board of Supervisors. The two ordinances that I mentioned earlier are at the Budget and Finance Committee of the Board of Supervisors,



and we're awaiting the budget analyst's report on those items, but hope for a favorable outcome.

If the Board approves the temporary borrowing from the backlands project, we would have to come back to the Port Commission to get appropriation authority for the project. Then Kathleen and the Port team would negotiate the lease amendment and execute that amendment pursuant to your direction. We would hope that the project would get constructed in the spring/summer timeframe, and operational by September of this year.

Teri Shore, program director for Turtle Island Restoration Network, also known as [seaturtles.org](http://seaturtles.org) - We're a marine conservation group based in the Bay Area. I've been engaged in the following activities at the Port for a number of years and have sat on several advisory committees, and recall the great success of Pier 27 and the project to install shoreside power for cruise ships. I'm here to urge you to support this proposal by the staff to fund and move forward with Pier 70. Shoreside power, a little different type of shoreside power, the ships won't be picking up passengers, but they will be in for repair. The air emission benefits are significant, as outlined in the very excellent staff report. For year 2013, the project will save more than 10,000 tons of greenhouse gasses and 285 tons of air pollution. Those are big numbers. Clearly it offsets the temporary decommissioning of Pier 27. I commend the Port staff, PUC, BAE and everyone involved as well as the America's Cup folks to making this happen because it's been a challenging project. The only thing I would like to raise as something to consider is the re-commissioning of Pier 27. I realize with all that's going on with the America's Cup and the new Cruise Terminal that right now the shoreside power's going to be reconnected in the second half of 2014. I'm sure that everyone's doing everything they can to hook it up before then so that the full benefits will be seen as soon as possible. In the long-term big picture, we'll have two shoreside projects along the waterfront for the future to protect the air and water of San Francisco Bay and our residents.

Commissioner Lazarus - I was going to ask about that. I think I was confused in the beginning, thinking we were sort of moving all this equipment down but ultimately we would have two shoreside power installations.

Brad Benson - That's correct. The Pier 27 shoreside power facility is being decommissioned by our Cruise Terminal general contractor, and that will be stored and then reconnected in phase two of the Cruise Terminal project. While this is a mitigation for the Cruise Terminal and the America's Cup event under the CEQA process, it's a legacy benefit. It's going to continue to operate and improve air quality at the shipyard for as long as it's operating.

Commissioner Lazarus - I also had a question about the financing. I think I'm a little confused about what appears to be short-term borrowing of \$5.7 million. Do you have to have all the money in the bank in order to start it?





Brad Benson - We're working with Hugh and his contractor, Eaton Corporation, to develop a schedule of payments that will be necessary for the project. This is a question that the budget analyst has asked as well. When we finalize that discussion, we'll see less borrowing from the backlands project. There's a need to pay an initial deposit to the contractor to get work started on the new equipment that is being designed for Pier 70, and it's going to be an obligation. We hope not to use the full \$5.7 million from the backlands project, only what's necessary to get started and carry us through the time when the long-term debt proceeds are available to carry us to completion.

Commissioner Lazarus - I don't particularly have a problem with it. I think it's sort of a clever solution. I didn't understand why you needed the full amount at once but now I understand.

Hugh Vanderspek - I continue to be impressed with the Port, and the Port staff, and their forward thinking, and the process that we're coming up with here. We continue to talk about the environmental benefits to putting in power at Pier 70. Kathleen mentioned it on one of the graphs. You saw what's happening with the revenue at the yard and the jobs that this is creating. From a funding standpoint, one of the things that you're not seeing is that this will in fact allow us to bring in more work. Year over year, since 2008 when I came to the yard, last year's numbers I think were 20% higher in revenue than they were in 2008. That translates to union jobs and a lot of union guys. Over the 2010/2011 year, we ran almost 30% more man hours, union blue-collar workers in the yard.

What this shore power will also do is it allows us to power up ships that we can't power up right now. You will see the Alan Shepard probably coming into the yard in April of this year. We had hoped to have the power set up for that. We won't have the power set up for that, but that is a huge contract. It will continue to push our revenues up, and our revenues translate directly into additional rent to the Port of San Francisco, so it's additional funding coming to the Port on that. Working together with the Port has really paid off for not only the Port with the dredging project that we did last year but we were able to bring in additional ships in the last year that revenue went up. Again, I continue to be impressed working with the Port in the way that their forward thinking and moving forward on these projects. I look forward to putting this into place. I look forward to being able to employ our people and keep them moving forward.

Commissioner Crowley - I, too, want to commend staff for a job well done. I come from the PUC, where the environment is first and foremost on our plate, and I have to say, being down here and having this system in place is saving all of us a great deal of time and energy and atmosphere. I might add at this time where it's a big concern with greenhouse gasses. I want to commend staff and I want to thank Hugh for being here and being partner with the City and County of San Francisco.

Commissioner Brandon - I, too, want to thank staff for being so innovative and coming up with great ideas all the time. I also want to thank Hugh and BAE for



being such a good tenant and such a good neighbor. Our relationship hasn't always been that way, and I just want to thank you for making it a win-win situation all the time.

ACTION: Commissioner Crowley moved approval; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor. Resolution No. 12-19 was adopted.

## 12. REAL ESTATE

- A. Informational presentation regarding a prospective Sole Source Retail Lease between the Port of San Francisco and Teatro Zinzanni for premises at SWL 324, located at the northwest corner of The Embarcadero and Broadway.

Jeffrey Bauer, Port's leasing manager - I'm here to give you a brief presentation on the possibility of a retail lease between the Port and Teatro ZinZanni. Teatro ZinZanni was formerly located at Pier 29. It's a cabaret performance that's held in an antique, 1920s Spiegel tent during a five-course dinner. Approximately 300 guests attend each performance. Teatro ZinZanni had employed 88 full-time and 30 part-time employees. The initial lease commenced in October 1999, and the term was for 15 months. The initial lease was really treated as a special event, not a restaurant or retail lease. Fortunately for everyone, it ran for 11 years, sold out shows. The original lease was amended three times, and they've been on holdover status since November 2005, primarily because of the potential development in that area.

Teatro ZinZanni paid monthly rent to the Port in the amount of \$21,000, annualized to \$252,000. In addition, the Port, since we fortunately control the parking, received additional returns adding about \$200,000 annualized to our parking revenue for that area. We also saw some increased patronage in our local restaurants before and after performances. Due to the construction of the James R. Herman Cruise Terminal, it was necessary for the Port to relocate tenants, including Teatro ZinZanni.

On December 1, 2011, the Port and Teatro executed a mutual termination agreement, and the effective date of that termination agreement was January 17, 2012. At that time, they vacated the site, containerized their show, and the site is currently vacant. As part of that agreement, the Port and Teatro agreed to work in good faith to complete a new lease for a new site. The site that we mutually agreed on is located at the Embarcadero on Broadway. It's currently run as a parking lot, about 400 spaces. The site is Zone C2, which is community business, and it falls within the North Waterfront Historic District. The actual project consists of interconnected temporary structures, including the historic Spiegel tent and a number of modular structures. These modular structures hold the lobby, the kitchen, dressing room, support function areas. The primary entrance for vehicle drop-off would be on Embarcadero. The proposed lease would contain certain standardized conditions that are now standard in our retail and restaurant leases. The term of the lease would not exceed 10 years, and





Teatro ZinZanni would be required to sign an approved Port Commission boilerplate with no substantial changes. The premises would consist of approximately 25,000 square feet. The lease would contain percentage rent, so we would participate. The rent would be paid in an amount the greater of the minimum rent or percentage rent, amount to be determined. The lease would provide other standard policies such as rules and regulations for restaurants as well a Good Neighbor Policy.

This site on Broadway in the Embarcadero is contemplated in the 34th America's Cup and also in the James R. Herman Cruise Terminal environmental impact report required under CEQA. The report requires that Teatro apply for and receive a Certificate of Appropriateness from the San Francisco Planning Commission Historic Commission. The project must meet the criteria found in the preservation of historic architecture and aesthetic landmarks found in the San Francisco Building Code.

The proposed design for Teatro will undergo review by the Waterfront Design Committee and the Historic Preservation Commission. We anticipate that to happen in March 2012. In compliance with the mitigation measures, which are included in the environmental impact report, the Historic Preservation Commission will review and must find that the project design complies with Article 10 of the Planning Code and the Secretary's Interior Standards for Historic Preservation. This includes addressing the architectural and visual characteristics that define the historic district. The design process is expected to occur through spring. These mitigation measures must be approved with a Certificate of Appropriateness prior to this commission's approval. Teatro will give presentations to all the surrounding community groups such as the Barbary Coast, Friends of Golden Gate, Telegraph Hill Dwellers, etc.

Port staff doesn't think this lease quite fits into the retail leasing policy and that the best vehicle to deal with this type of lease is direct sole source negotiation. If the lease is found to be impractical, impossible to bid, Teatro ZinZanni has requested to enter into a sole source lease for this site. Therefore the Port staff must determine if Teatro is a tenant in good standing, which they are, and we would evaluate if they are the most economic suitable tenant for the site. We'll review audited financial statements and a business plan.

Lynne Spalding, San Francisco Travel Association - I would like to share some facts in regards to Teatro ZinZanni. For the last decade they have been the premiere live performance attraction in the heart of San Francisco tourism district, the waterfront. They have brought over 800,000 guests to the Northeast Waterfront since opening in 2000, 70% of which were from outside of San Francisco. They have been critical to the economic vitality of Pier 29 and the Port. They transformed an unused, unimproved parking area into an internationally renowned tourist and cultural destination. Additionally, guests of Teatro have spent millions of dollars at neighboring businesses as a result of their proximity to the renowned attraction, benefiting businesses, including numerous parking lots, hotels, restaurants, clothing, and souvenir retailers. Their





unique programming has been a key component to San Francisco's reputation as an international leader in diverse performing arts attractions. We look forward to offering their one of a kind experience along the waterfront soon again.

Geoff Hoyle - I've been a Bay Area resident for 40 years and a performer for over 30 years, starting with the Pickle Family Circus. I've been with Teatro ZinZanni for over five years. Many of my coworkers have been there for over 10 years, and certainly some of the kitchen staff have been there for that amount of time. Over the years of performing and working together, the company has developed a family like bond that greatly enhances the theatrical experience for our guests. Teatro ZinZanni has an international reputation as a first-class attraction, bringing in top-notch artists and performers from North America, South America, Europe, Asia, and Australia. My parents' generation used to talk about dinner and a show. Teatro ZinZanni is dinner in a show. Performers are welcomed into this beautiful Spiegel tent, which was built in the 1910s in Belgium and imported by the staff of Teatro ZinZanni. It's an elegant mahogany interior with gold brocade, red velvet, stained glass, and it's lined with mirrors, producing a kind of vertiginous, alternate reality for the guests who come into the actual tent. It's a magical setting for dinner and a show. Audiences receive a five-course meal and over three hours of eating and entertainment by world-class comedians, singers, dancers, magicians, hand balances, trapeze artists, aerialists, jugglers, from all over the world, and including a live, five-piece band. There's also the trademark audience participation of Teatro ZinZanni, which is where I come in, using characters that I come into in outrageous or elegant costumes, and choose members of the audience to participate in skits. This gives Teatro ZinZanni some of its uniqueness. The audience is the star, and we celebrate them in their ineptness and their adeptness. Many of the audience members who have been somewhat reluctant initially, whenever I've talked to them after the show, they always say, that was so much fun. They are completely transformed and entranced. Teatro ZinZanni's a non-profit organization that truly takes care of its employees. They provide living wages and health insurance for the 120-plus performing and non-performing staff. Teatro ZinZanni's also a dedicated community citizen, donating many hundreds of tickets every year to local charities and school fundraising auctions, including to my own children's school and helping raise over \$2 million. I'll tell a little joke as one of my characters. A beautiful young woman walks up to me in the street. She says, "I'll do anything you want for fifty bucks." I said, "Paint my house."

Normal Langill, artistic director and the president of Teatro ZinZanni - I'd like to thank the commission for having this chance for us to be in front of you. Teatro ZinZanni and as I've read through the various surveys during the years, going back to the mid-1990s, we do serve a function for the waterfront in that we provide entertainment and a reason to go down at the nighttime and for the offseason, when it's sometimes a little misty down on the waterfront. We're committing to invest about \$4 million into this site to build a more permanent site, even though we're using modular units to do it. That's why it would be of particular interest, as a non-profit, we're making incredible investment that if there is an opportunity to have a renewal option at the end of 10 years, it would





make it far easier for us to invest in the project. It's quite a burden to pay that off over 10 years.

We are probably going to bring in about \$30,000 a night every time we do the show and additional parking in Lot 324 and Lot 321. It's just up Broadway from us. We're committed to working with local vendors and a food area, preferably organic. We look forward to actually continuing a fine tradition. The particular site to me is quite special because it was on Clark Point, where the first pier in San Francisco was built in 1847 by Samuel Clark. It became a gateway, the city gate to the city, which also began the Barbary Coast and an incredible tradition. In 1849, the first public performance, which was about two blocks from that area, was the Rose Circus, which combined theater and circus, which is what we do today. We feel like the spirit of the incredible entertainment scene that grew out of San Francisco. We follow that and we feel it every time we do a show.

Frederick Allardyce - I'm here tonight speaking on behalf of a group called Recreation & Open Space for the Waterfront. I also am the president of the Eureka Theatre Company, located about three blocks from this proposed location, so I'm sympathetic to the process of providing theater in San Francisco. I'm here equally important concerned about the design of this building. It's nothing to do with this business, how it's operated, and all the money it brings in, all the benefit it brings to the city but this site is part of the San Francisco Northeast National Historic District. This is not something to take lightly. They have specific rules about the design and style of the building that they want to see that complements the existing buildings that are in that area that go back to the 1860s, 1870s, etc. It's nice to say that this group is going to make the neighborhoods aware of this, but the first time anybody heard about this was a newspaper article one day before the first hearing before the San Francisco Historic Committee was mentioned. There was no outreach whatsoever to anybody about the plan to do this. I know they've been looking at other sites in the city, and there are other sites to put this theater. The building that they're proposing is a metal building. It's made out of corrugated metal. It's 35 feet tall on the Embarcadero. It's made out of red metal. It doesn't complement the historic buildings in this area whatsoever. The Historic Committee heard their presentation and they voted two to one not to accept it as the building was designed. I just know you're aware of the value of that location. Our group presented a viewpoint on what should be done at that location when a hotel was proposed to be 84 feet. We were successful getting it rezoned down to 40 feet. That site is very valuable and it deserves something more than a parking lot or the revenue that could be generated by this entity that will provide almost the same revenue as the parking lot. I suggest, even though they're looking for a better spot to relocate, that you consider the overall value of that parcel and what it could really do. It's zoned for a 40-foot tall building. A more permanent building than the temporary type of facility they're proposing might be more popular with the neighborhood and bring more revenue to the Port. You should consider these things. I know the neighborhood is not happy at all with a corrugated metal building to be built on that site.





James Cunningham - I'm a resident of this area. In fact, my apartment looks straight on the parking lot, directly at the front door of the building they're proposing. I've enjoyed the Teatro ZinZanni four or five times at least in the three years I've lived here, a delightful show. I have nothing in particular, and I don't think many of my neighbors do either, of having a potential location in this area but I have to agree with the previous speaker that the building they proposed is just plain ugly, cheap, not appropriate for the area. I would hope if they're going to do something, they could do something better. It'd be kind of an eyesore the way they proposed it at the present time. I also regret that they have done nothing so far to reach out to any of the neighbors. Three months ago, at the time they got turned down at the Architectural Committee, I was also there. They made a big point of saying they were going to reach out to the neighbors. This is the first time I've heard of it since then. I hope this is given very careful consideration, and if done, it's done properly.

Jeff Bauer - A few things I'd like to point out in the process because of the sole source. Port staff needs to come to the commission and get authorization to begin a sole source before we actually do it, therefore this is the initial step in the relocation process. We expect it's going to be six months, so we would come back. We would ask you to waive your preauthorization but to the point of some of the speakers, this is the first step in the authorization. Regarding the Architectural Review Committee, that was a preliminary review. There was no vote. It was an information item, much like this. The concept and the design are still under review. I'm working with Mark Paez and Dan Hodapp, who are working on the design plans. This will be thoroughly vetted. The third comment I would make is when Teatro ZinZanni first came to San Francisco in 1999, when I toured them, we took them all up and down the waterfront. We settled on this location and had echoes, very similar comments from the community. If you know that area, you know there's residential across the street. Teatro was a very good neighbor; they worked with the groups on sound, traffic, all their concerns. They were very open.

Commissioner Katz - I know we're looking at fairly standard leases. What are the renewal options that are typical with our standard lease?

Jeff Bauer - As it stands now we're looking at a 10-year term for that site.

Commissioner Katz - With no renewal options?

Jeff Bauer - I'm taking my lead somewhat from Director Moyer on the limitations on what we can do there.

Monique Moyer - Did you answer the question? I don't think you answered the question about what's standard term though.

Jeff Bauer - There are no standard terms in retail leases. Everyone is a unique deal. If someone's going to invest a million dollars for example, like D&G, Lou's



Blues, we may offer them a five-year extension option. Every deal has a different flavor and a different negotiation.

Monique Moyer - I would just suggest that when we landed on this site, so to speak, this has long been in the Waterfront Land Use Plan, so that long ago it has been a high-priority site for development, and we have tried before. Had it not been for the amount of our resources we've been dedicating to the America's Cup effort for the last almost two years, we probably would have been moving forward with a development proposal for this site. It is in our interest to be able to do that at a future date, for some of the reasons that have been mentioned. What that exact date is, I don't think we have a crystal ball on.

Commissioner Brandon - If we were to go with this lease and they invested the \$2-\$4 million that they're thinking about investing in it, what would they get in return?

Monique Moyer - I don't want to negotiate here, because I'm hearing this for the first time, but I would assume that they would be offering us some sort of market step-up in the rent and some other financial compensation for that sole exclusivity. I haven't heard that from the speakers. I'm sure that conversation can be had.

Jeff Bauer - There would be a review of what type of improvements, infrastructure improvements. If you bring in a modular building and it costs you a certain amount of money, that's not necessarily a benefit for the Port. However, we're in the beginning of the negotiation process. I need Commission's authorization to begin that process.

Commissioner Brandon - I would personally like to thank you for bringing this to us as an informational presentation so that we can start the discussions. I'm not a big proponent of sole source leasing because I think we have a leasing policy in place for a reason, and that is to give everybody the same advantage regarding our Port property. This is different because this is a current Port tenant that is relocating because of our Cruise Terminal, and I'm glad that we are working with them to find another location. I am for this, and I'm happy that we're at least going to get the rent that we're currently getting, hopefully more and that this is the beginning of the process, not the end.

Commissioner Katz - I just wanted to make one other comment sort of echoing Commissioner Brandon's comments that I do appreciate the tenants' willingness to bear with us as we do our relocation. I know it's been difficult on a lot of our staff having to juggle some relocation, so I just want to thank everyone for working together, and sort of make a point that the Port really is making the effort to do well by our tenants. We'd like to send that message out there that we are reasonable and recognize changing circumstances impact all of us here. Thank you for doing that.

Commissioner Lazarus - What are the implications of losing all that parking?





Jeff Bauer - Parking's not sexy but it sure makes us a lot of money. We're hoping that we can frame a deal that we make the same money. The base rent would be the same money that we're getting for the minimum rent on the parking. The upside would be that we're replacing the hundred cars' terms that park in Pier 27 now. They will come to Seawall Lot 324. We're going to get those hundred cars. Teatro will be paying us in addition to the minimum, and hopefully percentage rent.

Commissioner Lazarus - Are we losing parking?

Jeff Bauer - We're going to lose parking. The parking lot holds about 400 stalls. This will take up about 88 stalls. However, we do have two other lots that are within walking distance. In the total area, we control about 700 parking stalls.

Commissioner Lazarus - Going back to the rent question they're paying, according to what was in the report and what you said, around a quarter of a million dollars a year in rent. We're taking in about \$1.4 annualized from the parking lot.

Jeff Bauer – Yes, for the whole lot, but if you look at their piece, which is 88 stalls, it's about \$35,000 a month. So that may be a place to start with a minimum rent.

Commissioner Woo Ho - If we were just looking at this as sort of leasing out to a retail and I understand the circumstances of relocation and what we're trying to do which are circumstances we do have to consider, what would you be charging?

Jeff Bauer - This is a very unique situation because essentially what we're renting them is asphalt. We're not renting them a building, an existing restaurant. They're not building a restaurant that after the term we would get possession back, so we would control that. It's a little bit of a hybrid. If we receive the same amount of money that we were getting from the parking lot, I would be happy about that. If we negotiate a fair amount of percentage rent, we'd be very happy. We want to make sure they're viable. We don't want to over-negotiate something that is just economically not going to work for them or for us. That parking lot is an asset.

Commissioner Woo Ho - We all want to be fair. As we've heard earlier today, the Port is in dire need making sure that we also get revenues because we have a lot of improvements and other things that we need to make with the capital plan. It's striking the right balance in terms of what's fair for all parties involved. We don't want to lose anything from what we're getting today and to make sure that we also benefit on the upside.

Jeff Bauer – Agreed.





Commissioner Katz - Going back to the aesthetics issue and addressing some of the concerns raised by the neighbors. I assume the design has not quite been finalized, and they'll be room to discuss that.

Jeff Bauer - It's under review. It's under development. We've met with the architect, who is a tenant of ours, and Teatro ZinZanni, and giving them thoughtful comments and areas to go. The reason why I'm not presenting the initial design is we want it to be developed further before we do that.

Commissioner Woo Ho - So it isn't what was originally on the site at Pier 27? It would not look the same?

Jeff Bauer - Absolutely not. That was more of a hodge-podge. Again, this was done as a 15-month temporary deal. It just became wildly successful, and here we are 11 years later.

Monique Moyer - I think this points out that we do have a lot of work to do. We have to ask your permission to start that work. I want to reiterate that this is a very elegant solution, as all the commissioners have said, to keeping a good tenant, keeping that area of the waterfront activated. We'll be back to you with more detail on how the tradeoffs on daytime parking then get more demand as a result of them at nighttime. We have work to do, but we can't do it until you tell us it's okay to do it on a sole source basis.

Commissioner Brandon - Is this item coming back in the fall as indicated in the staff report?

Jeff Bauer - There's a few ways we can handle that. I could come back and formally ask you to allow me to engage in sole source negotiations.

Commissioner Woo Ho - Today it's labeled as an informational presentation.

Jeff Bauer - It's informational. It's part of the process. We wanted to let you digest and understand what we're going to do. We certainly can come back in March and ask for that at a later date.

Commissioner Brandon - The staff report says you're going to come back in the fall of 2012, so what was the anticipation behind that?

Jeff Bauer - I'm trying to be flexible, and listening to your comments and concerns about the process. In the best of worlds for Port staff would be to allow us the ability to negotiate the deal and bring it to you as fully formulated, and ask for your approval.

Commissioner Brandon - It's kind of hard to give you approval for a sole source deal when we don't know the terms. That's kind of hard. So I don't know; maybe something needs to be changed in our leasing policy in order for staff and the commission to be able to discuss, or for staff to be able to talk to current or



potential tenants about lease deals. It's really hard to give you approval for a sole source when we don't know what we're giving approval for.

Jeff Bauer - I appreciate that and that's one reason why we're here, having this discussion.

Commissioner Brandon - That's why I said I really appreciated you doing an informational presentation.

Monique Moyer - Jeff's timeline was when he thought he'd be back with a final lease. I suspect that we would be seeing you for negotiating guidelines as we do other projects if needed.

Jeff Bauer - We want to get through some of the steps. We need to get through the architectural review, the design review and community outreach. We can have a parallel negotiation and understanding, so there's a few ways we could handle that.

Commissioner Woo Ho - I think where we're hung up is the sole source retail. We appreciate the informational presentation and we understand that you're looking at Seawall Lot 324. We're hesitating whether we should be going forward with the sole source at this meeting because it is an informational presentation. We're saying you continue to work on that direction but come back for formal approval.

Jeff Bauer - Okay, and I agree with that.

Commissioner Brandon - Can you not talk to the various community groups or to the tenant without us saying it's okay?

Monique Moyer - We're going to invest a lot of time. They're going to invest a lot of time. We have a formal policy, as does the Board of Supervisors, for competitive bidding. The reason we're here today is to get your feedback on whether you're open to us doing that. If you weren't, I assume you would say so. We're not asking you for a vote on that. At some point we will have to ask both the Port Commission formally to approve a sole source, and the Board of Supervisors to approve a sole source. Historically we've done it backwards, where we've come with the whole deal together and then asked you. We heard from you loud and clear that was sort of too late. That's why we're here today.

Commissioner Lazarus - So you can't give a theoretical waiver to do a sole source separately from looking at the whole deal?

Monique Moyer - We could have asked you for that approval today. Our practice has been, in deference to the comments of Commissioner Brandon, to do it when we have the whole deal together. We wanted to give assurance to Teatro and others that this is time and money well spent. If your preference is to have it





as an approval, we can be back at the next meeting for the sole source approval.

Commissioner Brandon - No, that's not what we were trying to get at. This is a unique circumstance because this is a Port tenant that is being relocated because of Port development. I feel it's okay because they had been looking for a space, and this is an available space right now. As far as the terms of that sole source and approving that what my issue is that once we approve a sole source, then we're saying we've approved this actual project taking place. Then you go into negotiations. You're still going to come back for approval on the negotiations, but we're still giving that person the exclusive right to negotiate.

Jeff Bauer - Hopefully I will come with a deal that I know I'm going to get approved, because I don't want you to say no. Commissioner Brandon, you're very accurate that it's really a hybrid. They were an existing tenant. They are a tenant of good standing. I asked what tool and mechanism do I have to fully vet this because it is retail and we're in the public arena and have it above board and open process. I chose to do a retail leasing policy.

Commissioner Katz - I'd like to make a suggestion. Given all the circumstances, we've talked about and we appreciate it being brought forward and the uniqueness of the situation. Perhaps we could have some briefing once negotiations are underway. Perhaps we could get an update brought to us in some fashion just to give us a sense before our weighing in.

Jeff Bauer - I could bring in a term sheet.

Commissioner Brandon - Also the idea of we're looking at a 10-year lease and maybe extensions but yet we're also looking at long-term development, how does that all work together?

Jeff Bauer - We're going to have to make that decision in negotiation. We're friends now with Teatro, but we're going to negotiate, and hopefully we'll stay friends. My job is to look at the fiduciary responsibility that I have to represent the Port and to make the best deal I can while being fair to the tenant to make sure they're viable and economic. I'm happy to give you a term sheet in closed session, or in full open session, if that's the vehicle you would want.

Monique Moyer - It sounds like there might be some questions about the lease itself but also about the location and what the opportunity costs of the location are. Maybe we should come back quickly on the location and the aspects of the location, and then either continue to work on a lease there. I'm not clear on your direction, so I'm sort of stabbing in the dark.

Commissioner Woo Ho - I think what you're hearing is that we probably should have a discussion that may cover some of the points you just mentioned in closed session as you work on negotiations so we are fully aware. It doesn't



come to us with a full term sheet, which is very awkward in terms of we need to have some sense of where you're headed.

Monique Moyer - So in executive session you would like to hear what our negotiating plan is and give us negotiating direction.

Commissioner Woo Ho - Yes.

Commissioner Katz - The converse to that is do it sooner rather than later so that you can also be clear with Teatro ZinZanni.

Commissioner Woo Ho - Yes, we want to deal with our tenant in good faith, and that they understand what we're doing, and so this is all above board.

Jeff Bauer - Yes, I appreciate that. That's a very good solution.

Commissioner Lazarus - I have one other question. Is there a second choice site?

Jeff Bauer - No, not on Port property.

Commissioner Crowley - Again, I think it's a process. Not to be self-serving but I like anything theatrical down at the Port. With that being said, I also think it's important that we vet as we're hearing a couple different things from neighbors. I know the way this thing is being constructed or built, I don't have the full vision, or do you at this point in time, but I think we're kind stumbling here. It's the process by which this is going forward. We want to give them an opportunity to move forward as a good tenant because we relocated them and by the same token, we want to take care of the neighbors as well. It's not easy. Whatever the process is, I'm happy to move whatever forward we can with that, with having the meeting as soon as we can so they're not hanging out.

Monique Moyer - Thank you. I think you've given us exactly the kind of feedback all the parties in the room, the opponents, the proponents, and the Port, were looking for.

Jim Reuben with Reuben and Junius - I'm a lawyer in San Francisco and I'm working with Teatro ZinZanni. I do primarily land use and development. I think buried in your conversation just now and your dialog probably is the answer to this question, but over the 25 years I've been doing this, I'm extremely sensitive to public outreach. I know that's the way we do things in San Francisco. We do talk to neighbors. We fully intend to talk to neighbors. We are friends with the Port now. We have been working in collaboration, and it's in collaboration with them that we've held off talking to neighbors until we got here. I want to make very clear on the record that there was no intent not to get out into the community and talk to everybody. There's one other small point about Teatro that I'm sure you recognize, maybe haven't thought about, but they're not a restaurant. There's no menu. There's no upselling. The meal is delivered and





that's it. It's a bit of an odd duck to try to fit into precedent for other uses that you're used to along the waterfront.

- B. Request approval of direct negotiation with Golden Bear Restaurant Company III, a California Limited Liability Company for a Sole Source Lease of Kelly's Mission Rock Restaurant located at 817 Terry Francois Boulevard under the terms and conditions of the Port's Retail Leasing Policy. (Resolution No. 12-20)

Susan Reynolds, Deputy Director of Real Estate - I am here before you to request approval to enter into sole source negotiations with Golden Bear Restaurant Inc., LLC. Golden Bear bought Kelly's Mission Rock as a result of a bankruptcy sale. Kelly's declared bankruptcy in February of 2011. Between February and November, Kelly's trustee attempted to sell the lease without success. On November 21, 2011, Kelly's noticed the sale of its assets, including the lease. It was noticed with the opportunity to present overbids. Peter Osborne of Golden Bear was the successful, highest qualified bidder. Mr. Osborne took possession of Kelly's, per the court order, on January 3, 2012.

The existing lease will expire March 13, 2013, and there are two remaining five-year options that Mr. Osborne can exercise, providing he is not in default. Once the sale closes, which currently is pending the approval of the liquor license by the ABC, Kelly's back rent of just under \$95,000 will be paid to the Port. Mr. Osborne is paying current base rent, which is just under \$14,000 a month.

Port Staff proposes entering into a new lease that would extend the existing term by 10 years to derive the following benefits to both parties. A new lease would provide the maximum investment into a facility that has been long neglected, which includes not having a properly operating kitchen. The property most recently had fallen into being used as a nightclub and bar only. Mr. Osborne's projections show that there will be \$1 million in construction improvements, and another \$1.5 million in soft cost to get the restaurant into top performance.

A new lease would allow the implementation of updated laws and ordinances to include card check and ADA requirements. A new lease will enhance the current terms by providing increased revenue opportunities through sharing in 7% of gross revenues. A new lease will allow Mr. Osborne to attract investors needed to make this a successful venture. Mr. Osborne has a proven track record with three other restaurants in the area.

Without the ability to amortize all of the planned improvements, it would not make good financial sense to invest these types of dollars. Getting the restaurant open within the next six months would create an estimated 40 to 50 jobs, plus the construction jobs that it will create during the six-month period of construction.

This new improved restaurant will activate that portion of the waterfront that is in need of investment, and will bring benefit to the community to have the facility and area improved for public enjoyment. Mr. Osborne has offered to extend his





improvements to Agua Vista Park, which the Port may not get from other bidders. Mr. Osborne will also improve public access through completing the visitor dock that was always intended for that location that has been approved by BCDC.

If you approve this request today, Port staff will begin negotiations with Golden Bear, which will include market data that the new transaction would bring market rents and be in keeping with Port retail leasing policy, which allows for extended terms if a tenant is making a significant investment in the property. At that time you will have the option of approval. The transaction will also require Board of Supervisors' approval.

John McNulty - I'm with MBH Architects. I've been fortunate to have had a relationship with Peter Osborne since the development of MoMo's Restaurant back in 1998. We have begun the conceptual design work for Mission Rock. We are at a point now where we have taken that conceptual design and have distributed it to Cannon Constructors, who are distributing it down the stream to their subcontractors, and we're compiling the estimate that Susan has referred to. What I can say is that Peter has been a tremendous asset to King Street, and he has a passion for San Francisco. He's a tremendous restaurateur. He has conveyed to all of us his commitment to San Francisco and to this particular area, despite the notice today that Salesforce has outgrown their campus before they've broken ground. That has not deterred his spirit, nor his desire to participate in developing Mission Bay to even a greater extent. I'm here for any questions that you might have, for any technical issues that you're curious about. I'll turn it over to Topher Delaney, who is a member of the community and someone that we are going to be working with as we develop Agua Vista Park and more access to the water. Thank you.

Topher Delaney - So I started with no, no, no on the last one, and this one is yes, yes, yes. We have been terrorized by Kelly Mission Rock for the last nine years that I've been there, and I am so thrilled to have this guy here. I just met him. He's a responsible restaurateur. He has a track record. He is a businessman. He is going to help us out, which is great, with a wonderful restaurant that is run like a grownup, and that is really fabulous. We are thrilled to have him. I hope you will give whatever this guy needs to come in. He is going to run a good ship, and it's going to be a good reflection on the Port, and it's going to be fabulous for the community. Three cheers for this guy.

Pete Sittnick - I'm the managing partner at Waterbar and Epic Roasthouse, just down the street, a Port tenant, and I am the newly elected president of the Golden Gate Restaurant Association Board of Directors, and I am late for dinner service right now. I've known Pete Osborne for a little over 10 years, and he is a wonderful human being. You're not going to find a more dedicated and passionate restaurateur, super smart businessman, and somebody that's really committed to San Francisco. I am going to recommend that you approve this measure. As a fellow waterfront restaurateur, we're out there scratching,



fighting, clawing every day to fill our seats, and even with Pete as a new waterfront restaurateur, I welcome the addition to the area.

Commissioner Lazarus - I want to add that I have known Mr. Osborne personally through being a soccer mom and dad together a few years ago, and want to iterate what everybody said. I think we're very fortunate that somebody of that caliber arose to take a look at this, and I think it would be a wonderful addition and solve many problems that certain residents have been complaining about for a long time.

Commissioner Brandon - I think Mr. Osborne is a great restaurateur. I love MoMo's, Pete's, Pedro's. We welcome him to the neighborhood; we welcome him to take over Kelly's Mission Rock. Kelly's Mission Rock has been a problem for years, long before Mr. Kelly passed, and it's great that we have someone that's interested in taking over the lease, but he has 11 years left on the lease that he is assuming?

Susan Reynolds - Yes.

Commissioner Brandon - I want to understand what his vision was when he purchased the lease out of bankruptcy for that 11 years versus what he needs an additional 10 years or 20 years on the lease. We have Teatro, who's talking about investing \$4 million and wanting a 10-year, five-year option. This has 10 years and he's investing \$1 million dollars. The staff report indicates that he does not believe that's sufficient time to amortize the million dollars. What does Port staff think? Have we done any market research on the area and what that property will bear? Because although Salesforce is not going in, there are a lot of other developments that are going in, and it's a fine piece of property.

Susan Reynolds - This will be part of our negotiation and our research, and I have reached out to the Golden Gate Restaurant Association. We are going to also use some of our economic development analysis consultants to tell us if this is the good deal based on what he is going to invest, and to get investors. They are going to want to know that there is some term to their investment because we all know how quickly in Port time 11 years is chewed up. If you were going to invest in a business, you would want to know that they were going to be there beyond 11 years. The difference I see in this and the Teatro is that this is a restaurant. This is going to be a restaurant. We have to make sure that what is paid by whatever operator is in there is the best that the Port can get in today's market.

Commissioner Brandon - I agree.

Susan Reynolds - That will be part of our negotiation, but what I'm asking you today is to be able to negotiate with that tenant that is already occupying the space that he will want to invest his money and other investors' money, that the return will be as good to them as it is to the Port. That's what our goal is before we bring the lease back to you.





Commissioner Woo Ho - It suggests in the staff report that there are some requested terms, and it says that base rent at the current rate with a 2% annual adjustment and market reset for option periods. When you say you're going to look at it in terms of market rents and other things, is this for the new lease?

Susan Reynolds - Yes.

Commissioner Woo Ho - Not just taking over the existing lease and extending it 10 years. It's important for us to understand the difference between the old and the new, and given that there will be investments, so there's higher value in terms of what the restaurant will be, and that we also understand the economics of Mr. Osborne's projections because if he's going to pay at the existing rent of 2%, it doesn't sound like a good deal for us. I understand he's investing but we want to make sure we understand the economics of this deal and he is asking for a further extension over time. That lease is very valuable if you're talking about a 20-year lease versus a 10-year or 11-year lease. We want to understand the tradeoffs and the economics and obviously he has to have a return for himself and the investors and of course for the Port. I'm not clear yet in terms of what the balance is.

Susan Reynolds - We will bring that back to you. If at the end of 11 years we had to bid it out, we would lose close to a million dollars in revenue because we'd have to go through the process of vetting a new owner. Since he's already there, there's a value to have a tenant on site paying rent. If we had to go out for an RFP and go through the process that we're going through now without somebody in the building, then we would lose that.

Commissioner Woo Ho - We also have to remember 10 years from now what that neighborhood's going to look like. We understand that. We're all projecting that a lot of activity will be out there, and there will be more things out there that will support it. It's great to have that investment, so it's going to be more valuable 10 years from now than it is today.

Monique Moyer - I would offer that, number one, all we're asking you for today is the authorization to negotiate. You can say no, and he'll be stuck with the lease that he has. We're not asking you to commit to anything further than that.

Commissioner Woo Ho - I don't think we're saying don't enter into negotiations. We just want to make sure that we're giving direction on making sure that the lease comes back with things that we think are beneficial to the Port.

Susan Reynolds - That is our intention, to make sure through market analysis that what he's requesting isn't necessarily what is going to be the final lease that we present to you. We're just committing to you that through using educated information in the marketplace, looking at the future value of the lease, looking at the current value of the lease, at the current value of the property, we're going to



take that all into consideration as we design the deal that we would bring back to you for approval.

Commissioner Woo Ho - Hopefully we would see his pro forma of what he expects how the restaurant will do over this period of time.

Susan Reynolds - I actually have that with me today, and I didn't know how much information you wanted me to share with you. Until we start negotiating with him, I didn't know how much information I could share.

Commissioner Woo Ho - I don't know that we need to see it today, but I think we would want to see it when we see the lease terms.

Susan Reynolds - That was part of our due diligence, just looking to see what the information he had, his projections, his pro forma. We have a lot of that information, which helped us make our decision to come and ask you to go forward.

Commissioner Katz - I have just some specifics. As I understand it, he could have been there under the lease that he bought out through the bank or acquired through the bankruptcy court until 2023. He's requesting an additional 10 years to amortize the improvements there. Then we get not only the base rent, but a percentage rent.

Susan Reynolds - It's base rent versus percentage.

Commissioner Woo Ho - The deal is it's currently 11 years. He's asking for an extra 10 years.

Susan Reynolds - Correct.

Commissioner Woo Ho -- So that's what he's requesting as an extension of the lease?

Susan Reynolds - Correct. Usually in our other percentage rent transactions, it's base rent versus percentage rent. If 7% of his gross revenue is \$50,000 a month, then that would exceed, say, the base rent of \$20,000 that would be set at the beginning of the lease.

Commissioner Katz - I was going to say pick the terms. As you've said, it's proposed here with both.

Susan Reynolds - These are all proposals.

Commissioner Katz - This is a unique situation that we have an opportunity, if the properties improved, over the initial 10 years, are going to see some potential increase in revenue or not?





Susan Reynolds - No, because we would be stuck with the current term that doesn't have that upside of the percentage.

Commissioner Woo Ho - Obviously this lease has some value. It was the major value in terms of the \$375,000 paid out of bankruptcy, because I don't think there's probably much of the improvements in the building today that were worth very much.

Susan Reynolds - Not really, and that's the projected value of the lease. Actually, the bankruptcy judge, which is very unusual, went down and visited the location so that the trustee who had gone back to try to borrow more money, it was just making a bigger and bigger hole. So this bid actually did the Port a huge favor because we would have been stuck with an underperforming tenant before, and we wouldn't have gotten the benefit of the improvements that Mr. Osborne is offering.

Commissioner Brandon - How much was originally invested in the restaurant lease?

David Beaupre - I think it was approximately \$1.2 million.

Susan Reynolds - Right. But those original improvements have depreciated. They're probably more than depreciated. Unfortunately, the last tenant did not keep up the restaurant.

Commissioner Woo Ho - I did drive by it today to take a look. Is the concept just to use the shell of the building and redo everything inside or is it a tear down situation? I don't think that for a million dollars it's a tear down.

John McNulty - To clarify, the proposed investment is in excess of \$2 million, so it's between \$2 and \$2.5 million. The \$1 million was in reference to the actual hard construction cost. There's all the furniture, fixtures, equipment -- all of the things that go on top of that. One of the things that we've been working with David, Byron, and other Port staff, has been to make that building a little bit more transparent, so there's a little bit more interaction that the pedestrians and the people in the area have with the shoreline. We're using as much of the existing building as we can, just literally gutting it.

Commissioner Woo Ho - So it's a shell.

John McNulty - Yes, it's a shell.

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor. Resolution No. 12-20 was adopted.





**13. NEW BUSINESS**

**14. PUBLIC COMMENT**

**15. ADJOURNMENT**

ACTION: Commissioner Brandon moved approval to adjourn the meeting;  
Commissioner Lazarus seconded the motion. All of the Commissioners were in favor.

At 6:37 p.m., Commission President Woo Ho adjourned the meeting at in recognition  
of Robert Bryan.

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